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BREACH OF PRIVILEGE:

SHOWING

THE CAUSE AND CURE

OF THE

NATIONAL DISTRESS

IN 1847-1848.

SECOND EDITION, CONSIDERABLY ENLARGED.

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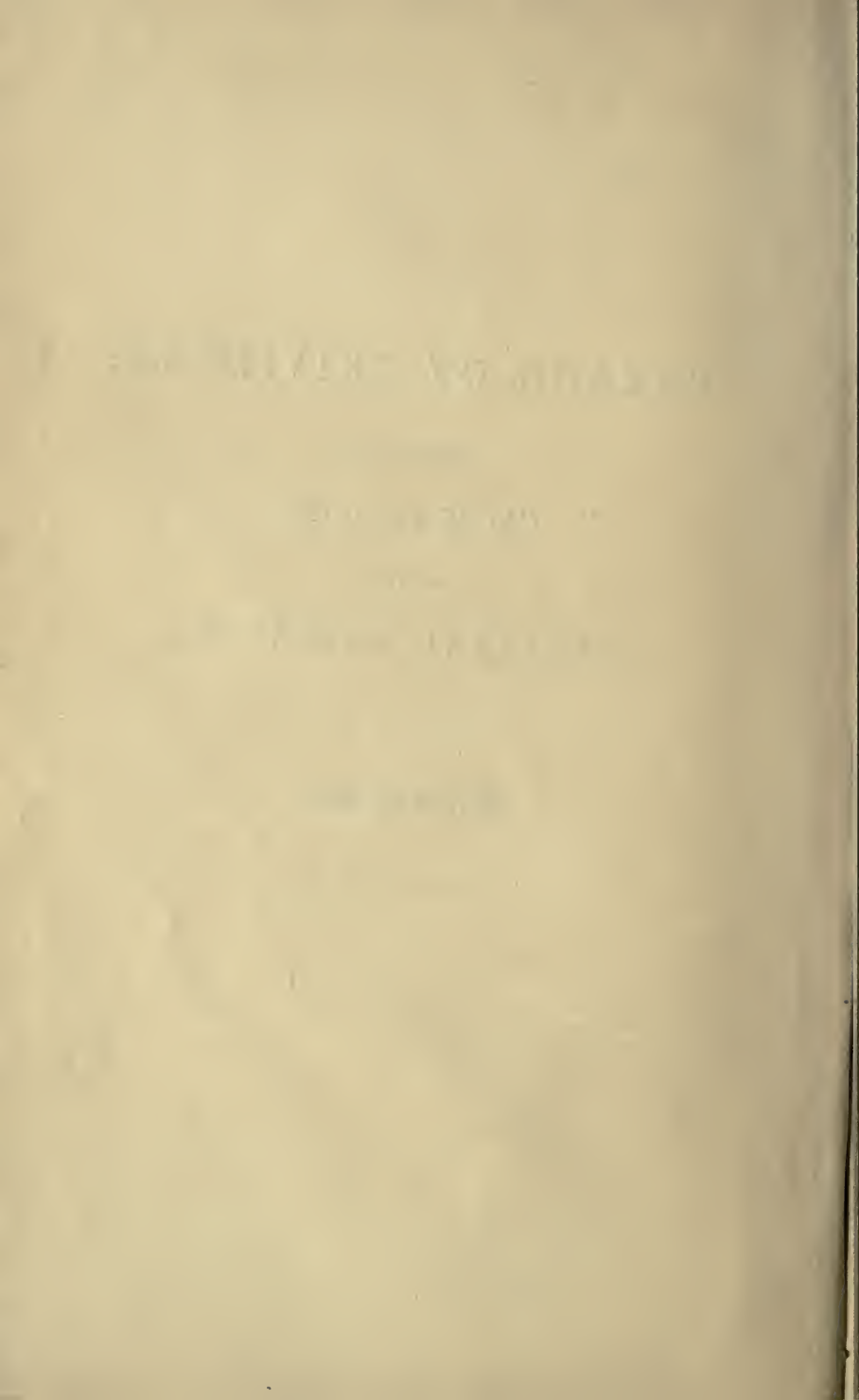
SHOWING THE

CAUSE AND CURE

OF THE

NATIONAL DISTRESS.

*Second Edition.*



# BREACH OF PRIVILEGE :

BEING

THE EVIDENCE

OF

MR. JOHN BULL,

TAKEN BEFORE

THE SECRET COMMITTEE

ON

THE NATIONAL DISTRESS

IN 1847 AND 1848.

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PUBLISHED WITHOUT AUTHORITY.

**SECOND EDITION,**

WITH SECOND AND THIRD EXAMINATIONS,  
AND AN APPENDIX.



LONDON :

JOHN OLLIVIER, PALL MALL;

AND

PELHAM RICHARDSON, CORNHILL.

1849.

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## PREFACE TO THE SECOND EDITION.

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SIR ROBERT PEEL, in his Speech upon Mr. Herries' Motion, on the 28th of August, distinctly admitted that the suspension or repeal of his measures would relieve the country from the commercial distress under which it had been so long suffering ; and, consequently, that they are the cause at least of the continuance of that distress. Also, that he never will consent even to a temporary relief, until the distress and ruin are at least as great as in October, 1847.

The "Currency Question," therefore, is no longer a difficulty, no longer involved in mystery ; but is reduced to this simple form : " Will this commercial community any longer submit to a system confessedly intended to deprive them of the control of their own affairs, and to cripple the commercial enterprise of the country ? "

Under this new feature of the case, a Second Edition of this Publication may appear unnecessary. But it is not sufficient to know that Sir Robert Peel's system is wrong ; the public should know what is right, in order to guard them against any delusive attempts to patch it up. Nothing will do but an entire eradication of the cancer, and the public mind is fast coming to that conclusion.

This Second Edition contains my Second and Third Examinations, and the following documents in the Appendix :

- (A.) Letter from the late Sir R. Peel in 1826.
- (B.) Resolutions proposed by Mr. Caley, } on the English
- (C.) - - - - - Mr. Spooner, } case.
- (D.) - - - - - Mr. Spooner, } on the Scotch and
- (E.) - - - - - Mr. Hume, } Irish cases.
- (F.) Mr. Salt's Letter to Sir R. Peel, August 28. 1848.

J. B.

December, 1848.

## PREFACE TO THE FIRST EDITION.

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THE old English chronicler, Mr. Joseph Miller, relates an anecdote of a man who, whenever he wished to make anything very public, told it to his wife as a secret. My constitutional respect for the two Houses of Parliament calls upon me to believe that a similar motive actuated them in referring the public and universally important subject of the present Commercial Distress to *Secret Committees*, although I am aware that there are some people who do not scruple to say that the object was to "Burke the question." The phrase is rather modern to my ears, but I believe it means that the money capitalists, by whom the ministers are supposed to be guided, expected thereby to delude the operatives — rather a dangerous game in these times! The same hope seems to animate them still, although the operative classes of almost the whole of Europe have risen up in insurrection, as we were warned they would do, if restrictions by which Industry has been sacrificed to Capital were not removed.

But notwithstanding the above-mentioned feeling for the Houses, I confess that I have not the same respect for what is called "Privilege of Parliament." The unconstitutional attempts of the late and present Prime ministers to set privilege above the laws have not tended to raise it in public estimation.

It is perhaps this which has emboldened me to defy the Serjeant-at-Arms, and to publish my evidence without consent of the Committee; feeling confident that the more publicity and the less *secrecy* — the more candour and the less mystery — there is connected with this important subject, the better.

J. B.

April, 1848.





## EVIDENCE.

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Mr. BULL *called in and examined.*

Q. Have you been long acquainted with the mercantile business of this country?

A. A great many years.

Q. You carry on your business in Little Britain?

A. In Great Britain.

Q. What do you conceive to be the cause of the Commercial Distress, and of the Panics which occurred in April and October of last year (1847)?

Cause of commercial distress.

A. As commerce is, in other words, the interchange of commodities; and as this interchange cannot be carried on to any great extent without a medium of interchange, or what is called currency; it follows that, whenever there is not a sufficiency of this medium, or a sufficient freedom of its action, commerce must be deranged. Just as the construction of a railway must be impeded, if there be not sufficient wheelbarrows to move the earth. Now this medium, or currency, is greatly crippled by the existing monetary and banking laws (1816, 1819, 1844, 1845); and to this is to be attributed the commercial distress of the last and present years.

Restricted currency.

Q. What are we to understand by the word Currency? Do you mean Money?

Currency the representative of value.

A. I use the word Currency, to avoid the ambiguity to which the indiscriminate use of the word Money has given rise. Currency is the *representative* of value, and

Money con-  
founded  
with capi-  
tal.

not value itself. All money is currency, but all currency is not money. The word Money is frequently, but erroneously, used to denote wealth or capital; a confusion which frequently leads to error. Capital is wealth, or that which is of value; currency is the representative of wealth. Currency is of two kinds:—

Money.

1. *Money*, properly so called, which is issued by the sovereign power of the state, and is a legal tender in all payments, whether it be made of metal, or paper, or any other substance.

Commer-  
cial cur-  
rency.

2. *Commercial currency*, which is not a legal tender; but, being conventional between the parties using it, no one being compellable to take it, will always expand or contract according to the requirements of commerce, if it be not fettered and controlled by unwise legislation, as our currency is at present.

Q. You then consider that the late commercial distress is attributable mainly to the limitations placed upon the currency by the laws passed since the year 1815?

The late  
Mr. Roths-  
child's  
opinion.

A. Yes; and in this I follow the late Mr. Rothschild, (than whom, perhaps, nobody had more practical knowledge of the subject,) who said, "Give this country money in abundance, and it will have the trade of the whole world; but if you make money very scarce, it (the trade) will go to other countries." Now, the tendency and object of all our monetary legislation since 1815, has been to make money more scarce. That is the fundamental cause of the commercial distresses that have occurred.

Q. It does not appear, however, that the commercial position of other countries is better than our own?

A. True. But when Mr. Rothschild talked of trade going to other countries, he of course meant to those countries where the counteracting influence did not exist. It was not necessary for his argument to point out that the state of the whole commercial world is influenced by this country. Their present difficulties have followed ours.

Failure of  
the crops  
not the

Q. You seem to attribute the commercial distress entirely to our monetary laws. Do you not think that the

failure of the *Crops* of corn and potatoes had something to do with the matter ? cause of distress.

A. Very little. It no doubt caused a diminution of accumulated capital ; but, under a sound monetary system, it would in no way have deranged commerce, or lessened the employment of labour.

Q. Explain yourself.

A. When the short crops occurred, the great want of the country was the want of employment, through which the industrious classes of the community might obtain wages and food. The natural consequence would have been, that labour would have been called into active operation to supply the deficiency. Thus the first loss would have fallen, where it ought to fall, upon the accumulated capital of the country, which would have called forth productive industry to replace the deficiency. Under the present system, however, when the necessary importations of food took place, instead of its being met by an exportation of our manufactures, which would have employed our population, it was met by an exportation of the foreign article gold, because, according to the law of 1819, that commodity must be kept in store by the Bank of England, and supplied at the low, untaxed price of 3*l.* 17*s.* 10½*d.* per ounce. Gold being thus the cheapest article, was exported instead of manufactures. Now by the same law it is absurdly enacted, that when gold, which forms part of our circulation, is exported, the other currency of the country, instead of being enlarged to supply its place, shall be diminished to an equal amount. Thus, at the very time when extra exertion and an additional application of labour are wanted to supply the deficiency of the harvest, the currency (the only agency through which labour can be efficiently called into action) is diminished, labour is unemployed, and business rendered unprofitable.

Q. Do you not think that the great absorption of capital by *Railways* contributed to this result ?

A. I am not aware of any "great absorption of capital" by railways. A certain portion of land, instead of being ploughed or made into turnpike roads, was formed into a

Railway enterprise not the cause.

shape which was expected to be more profitable. Beyond this, all that has been laid out upon railways has been, not anything which previously existed, but a quantity of labour which would not otherwise have been employed, or, in other words, the food of the labourers thus employed. But these labourers must have been provided for in some way. This was done in England by the poor-rate ; in Scotland by half starving the people, and half ruining the landlords ; and in Ireland by the more decided course of letting them starve by thousands. These results Her Majesty's Ministers voluntarily preferred, rather than allow willing capitalists to employ willing labour ; because in so doing they must have been guilty of the antiquated parliamentary crime of inconsistency, and have broken down the money monopoly, which has been so profitable to a few favoured capitalists, by whom it is supposed that they are guided in these matters, and so detrimental to the rest of the country.

*Q.* Do you then not believe that the railways aggravated the commercial distress ?

*A.* Certainly not. It was the limitation of the currency checking the construction of railways which caused that part of the distress which is ascribed to the railways themselves.

*Q.* Do you not think the large amount of expenditure to which shareholders were pledged would have exhausted any extent of currency that might be issued ?

*A.* No. Whatever currency may issue forth from the Mint, the Exchequer, or from bankers or other persons who exchange capital for its exchangeable representative, must either be hoarded (during which time it ceases to be current), or must be engaged in the employment of labour. On railways it would circulate in the most active manner. The same shilling would frequently be used every week in payment of wages upon the same line, or fifty-two times in the year ! The aggregate amount of expenditure, therefore, can afford no correct notion of the quantity of currency required or employed.

*Q.* But, supposing that sufficient currency could be



obtained, do you think there is sufficient *surplus capital* in the country to bear so great a drain?

*A.* I cannot see the slightest symptom of any *drain*; but on the contrary, a wide field for the employment of productive labour. The whole of that large amount was to be laid out upon *future* labour. Perhaps not one bar of iron, or one brick to be employed in those works, was then smelted or burnt. The only capital then in existence, with which they had to do, was the land; and the only use it was intended to make of that land was, to apply it to a supposed more profitable use than theretofore. All, therefore, that the railways had to do with the capital of the country (whether surplus or otherwise) was to undertake to feed and clothe a certain number of the working portion of the community, which the said capital was by law bound to do, whether in industry or idleness. This responsibility the shareholders took upon themselves, and would have carried through, if they had not been denied the right of converting their capital into a current or exchangeable shape. This last peaceful appeal of industry against the oppression of capital was rejected by our legislature, and an insurrection of the industrial classes has broken out over the whole of Europe.

*Q.* Do you mean to connect the *Revolutions* now going on throughout Europe with the distress which has produced the inquiry before this Committee?

Convulsions  
in Europe.

*A.* Certainly. The present state of things has been for years predicted by the "Society for the Emancipation of Industry," and by others who have observed the errors of our present monetary system. The object of the French Republicans, the English Chartists, the Irish Repealers, as well as the great body of insurgents throughout Germany, is the same, although assuming various shapes. On the other hand, Belgium, which it was supposed would first "fraternise" with France, having previously adopted the same laws and speaking almost the same language, is nearly the only country in Europe untainted with sedition, and, notwithstanding her geographical position, stands a fairer chance of peace than any other. This arises from her

"Emanci-  
pation of  
Industry"  
Society.  
Chartism.

2.

having made it her policy to do justice to the industrial classes. The happy consequence is, that not only all classes, but all parties there, are now united in the determination to repel foreign aggression and foreign influence.

Distress  
still con-  
tinues.

Q. But, whatever may have been the danger, do you not consider that *the worst is now over*, and that we are in a progressive state of improvement?

A. No. It is a mistake to suppose, because the patient has survived two paroxysms that therefore he is well. The country has been ever since, and is now, in a chronic state of panic. Capital is accumulated in the form of tumours or masses, and there is no power in the weakened constitution, under the present system of depletion, to absorb it in the general circulation.

Q. But although commerce is not yet quite in a healthy state, are you not of opinion that it is coming round, and that after a short period things will right themselves?

A. That is, that nature would cure the patient *if* his doctors would let him alone? I fully admit that. Indeed it is what I have been contending for all along. But you forget that in the present instance Dr. Sangrado is daily applying his lancet, and lowering the circulation of the life blood; so that although this system may keep off fever, yet it will inevitably bring on a weakness that will ruin the constitution. It will also be powerless to delay a relapse much longer, while it is constantly rendering its patient less able to bear it.

Q. It is the opinion of those who ought, from their position, to be best informed upon monetary matters, that the danger is over, and that it only requires an abstinence from enterprise for a time, to restore trade to a wholesome state, and re-create the capital that has been lost. Do you see any reason to doubt this opinion?

A. It appears to me that, if those who "ought from their position" to know better, are of opinion that capital is to be created by doing nothing, and refusing to allow the operative classes to work, the sooner they are removed from their "position" the better. It is, perhaps, their position that



prevents their seeing what is obvious to the commonest labourer, viz. that if a bad harvest or any other cause have reduced the quantity of food or any other necessary, the proper remedy is to labour with increased energy to replace it. The most illiterate plough-boy knows that when a crop has once failed it will not grow again until resown. Trade cannot return to a wholesome state while doctored with the noxious poison of a fettered currency.

*Q.* Do you mean to say that you anticipate the return of a commercial crisis?

Return of  
crisis.

*A.* Certainly I do! Do not you? In the present state of the continent, the probability of gold being in request abroad is obvious. The practice of hoarding, for instance, is the natural consequence of the insecurity of governments. Many other causes also may occur to create a sudden demand. Under such or similar circumstances, gold will inevitably be drawn from the Bank of England, and if we persist in the folly of basing all our commercial transactions upon it, nothing can prevent another commercial crisis and panic; and it will be more calamitous than any of its predecessors. In order to purchase this gold of us, produce and commodities will be poured in upon us from abroad, to which the system *called* free trade will give every facility; so that our manufacturers will not only lose the foreign but the home trade; and employment, both with them and the agricultural labourer, will become more scarce. Tradesmen will then feel the pressure more severely than ever. The numbers of the Chartists and discontented will increase.

Twice within one year have we had to bring back gold at this costly rate, to preserve the solvency of the Bank of England, or, as some call it, to maintain the convertibility of the bank note, and at the additional expense of reducing the saleable value of property thirty per cent. This operation we shall have to repeat during the present year; and if the wet weather should again produce a short harvest, the result will be awful.

Costly sacrifices to  
effect the  
return of  
gold.

It is a piece of refined mockery and cruelty in the Act of 1819, that, proceeding upon the assumption that gold

is the only wealth, the only happiness, the only security, the only thing to be desired, it forbids our retaining it when we see that it is departing daily, and know that that departure will compel us to limit our transactions, to discharge our workmen, and to sell our commodities at a loss! On the contrary, that law is at this time holding out a tempting bribe for its exportation by fixing its maximum price! When it is gone, however, at this losing rate, we are imperiously called upon to buy it back again at *any* sacrifice, under pain of not being allowed to carry on our business! I believe no greater financial folly has been committed since the days of Midas, from whom it is a palpable plagiarism.

Assignats.

*Q.* When you refer to the revolutionary movements going on throughout Europe, and at the same time recommend the abandonment of our ancient gold standard, and the adoption of a paper currency, you seem to forget the result and effects of the French *assignats*. Do you think that the people of this country would tolerate such a system?

*A.* 1. *You* seem to forget that gold never was our standard until the year 1816. Therefore all arguments founded upon its antiquity fall to the ground.

2. Although the people of this country have tolerated for the last thirty years a system more fraudulent, because more subtle, than the French assignats, yet I do not believe that they would bear with one so barefaced as the latter; and I recommend nothing of the kind. The assignat of the former French revolution, although originally based upon the National Domains, was soon carried to an extent far beyond any pretended foundation or means of giving value for them, and forced upon unwilling parties in exchange for property forcibly seized. When first issued on this basis, they amounted to only 45,000,000; but were ultimately extended to 450,000,000, or ten times the original amount, without any increase of basis. Parties took them rather than nothing, in the hope that they might some day be paid. The chance was small, and ultimately failed. The paper money required in this

Issued  
without  
adequate  
foundation  
and without  
limit.

country is within our annual revenue, and therefore of a totally different character from the assignats, and perfectly responsible. If our national debt be sound, such a paper must be as unimpeachable as gold.

*Q.* It appears then that you disapprove of the general tenor of our monetary laws; but you will, at least, admit that they have produced some beneficial effects?

*A.* I am not aware of it. They appear to me to be founded entirely upon erroneous principles.

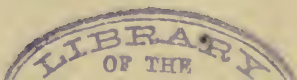
*Q.* For instance, do you not consider the *convertibility* of the bank note to be of paramount importance?

Converti-  
bility.

*A.* There is an ambiguity in the use of the word "convertibility," which misleads. If it be understood to mean the quality of being at all times exchangeable for any commodity desired, at its market price, I consider it not only important, but essential to the nature of a currency. If, on the other hand, it is to be understood, as it is by modern theorists, as meaning, that it should be convertible, on demand, into gold or any other commodity at a *fixed price*, and thereupon lose its proper function as currency, then I consider it as one of the most mischievous qualities that can be given to a circulating medium. If the quantity of the currency can be thus forcibly varied by extraneous circumstances, such as the demand for a particular article of merchandise, it cannot be wondered at that commerce is frightfully deranged, and panic frequent. This is one way in which the Act of 1819 makes money not only very scarce, but, what is even worse, very uncertain. But if the question refer, as I believe it does, to the *responsibility* of the note, viz. the fact, and the general conviction, that it really represents value, then I do consider it of the greatest importance.

*Q.* Then, whatever may be your opinion of the Acts of 1819 and 1844 in other respects, you will of course give them some credit for having preserved this important character to the Bank of England note?

*A.* They have had no such effect. On the contrary, they have several times brought the Bank (a perfectly solvent corporation) to the brink of stopping payment;





and, if continued in force, will do so again and again. The remedy of the Bank is to "put on the screw," thereby deranging the whole commerce of the country, forcing down prices, and compelling our manufacturers and merchants to sell at a loss, until they have ruined a sufficient number to buy back, at any cost, the gold which they have been compelled by law to part with at a low rate. This wronging of every body else is called "righting the money market." During all the panics and periods of commercial distress through which we have passed since 1815, including that under which we are now suffering so severely, the validity of the Bank of England note has never once been doubted, although its reserve has several times been reduced to a critical level.

*Q.* How do you account for this?

*A.* The panics have arisen from the fear of a scarcity of circulating medium, not of gold. The public have never for a moment doubted the validity of the Bank of England note — feeling that, by imposing upon the Bank the promise to pay in gold at a fixed price on demand, all the notes issued by them, which is palpably impossible, and by claiming a right to participate in profits, the Government have practically become partners, and have taken the responsibility upon themselves. It is no longer a question of the solvency of a private corporation.

Panics.

*Q.* You do not then think that either the Act of 1819 or that of 1844 has had any beneficial effect in preventing *Panics*?

*A.* On the contrary, those acts have been the causes of those panics. Panics do not arise from an *actual* deficiency of currency, but from a fear that it may be deficient. Whenever there is a fixed limit there is danger of panic. Every thing therefore which so limits, or tends to limit, the extent of the currency, however wide that limit may be, or to encumber its requisite expansion, is bad, tending to panic and the derangement of commerce. It would perhaps be difficult to adduce a stronger proof of this than what occurred in October last. Commerce was as it were in its last agonies. The Bank of England, fettered by the Act of 1844, could

not have continued their payments a week longer, excepting by the sacrifice of millions of property and the ruin of a great many more commercial houses both here and abroad. In this state of things the famous *Ministerial Letter* was issued, removing the actual limitation; and although it did so at the usurious minimum rate of interest of 8 per cent. (which to the ordinary run of traders was perhaps 15 per cent.), yet the panic was instantly abated, and so far from more currency being called for by the public, the issues of the Bank became actually less.

Government Letter, October 1847.

Q. Have not these Acts been useful in correcting the *foreign exchanges*?

Foreign exchange.

A. The operation of "correcting the foreign exchanges" is similar to that of "righting the money market," and these Acts have certainly been very efficient in its perpetration. When we have imported more value than we have exported, the exchanges are said to be against us, and something will be required to settle the balance. The price of gold being fixed at the rate at which it stood previously to the existence of the greater part of our national debt and taxation, it naturally takes precedence of all other commodities, and is exported. The only way to stop this export, or to bring gold back, (its price not being allowed to vary here,) is to export our goods at a losing price, which the Bank, having the power conferred upon it by the Acts of 1819 and 1844, compels the manufacturers and merchants to do. This is called "correcting the exchanges!" The Bank does not stop payment, but the merchants and manufacturers do.

Q. Do you not think that the Ministerial Letter was rendered necessary by the circumstances, and that fixing the minimum rate of interest so high as eight per cent. was well calculated to attain the object in view.

Eight per cent. cruel to trading classes.

A. That depends upon what the object was. If it was to embarrass trade, and discourage enterprise or speculation; to make labour (the capital of the poor man) cheap, and the means of employing labour (money) dear; to transfer the hard-earned profits of industry to capital; to promote class legislation; to make the rich still richer

and the poor still poorer; to discourage the employment of willing labour and tax those who are willing to employ it; to promote discontent among the labouring classes and encourage Chartism; to reduce the revenue and prove the necessity for an income tax; then I think the means well adapted to the end.—But if, on the other hand, the object was to foster that trade upon which some think that the existence of this country as an independent nation rests, to give a fair reward to industry, to unite the interests and feelings of all classes, to give a permanent value to capital and “a fair day’s wage for a fair day’s work,” then I consider it to be a great blunder.

High interest denotes insufficiency of money.

*Q.* But surely, after contending so strongly that money should be free, you do not mean to refuse a fair interest for its use. If money be worth eight, ten, or twelve per cent., why should it not obtain it?

*A.* I do not contend that money should not receive interest according to its *real value*; but I contend that it is not fair to render money scarce, and then mulct the industrious public by compelling them to pay a premium, *not* for the money, but for the *scarcity*. As the capital of nations accumulates, the rate of interest falls. In this country, if money were not made an object of monopoly and restriction, the real rate of interest would not exceed 5 per cent., and probably be nearer to 4 per cent. Whenever therefore it exceeds that, it may be taken as a sure indication that something is wrong. At present there is a glut, a panic, and a scarcity, at the same time. Those who have money are afraid to part with it, even at a high rate of interest, because they see that trade is paralysed, and has little chance of making a profit; while those who would fain employ it in some industrial pursuit cannot obtain it excepting at an usurious rate of interest, which shuts out all chance of an adequate return. Capital would be far more valuable at a steady rate of 4 per cent. than it is now with all its present high price and uncertainties.

Scarcity of money, how produced.

*Q.* In what way does the present law cripple the amount of circulation?

*A.* *First*, by limiting its amount to the quantity of



gold deposited in particular places, gold being a scarce foreign commodity, at no time bearing any relative proportion to our transactions, and liable to be suddenly exported, thus contracting our circulation at a time when it generally wants expansion. *Secondly*, by *fixing the price* of gold, contrary to the most ordinary rules of commerce. *Thirdly*, by fixing that price at the continental or untaxed level, and therefore below that for which we can afford to sell our taxed manufactures at a profit, whereby a premium is held out to export gold in preference to manufactures. *Fourthly*, by limiting the power of issuing notes even upon the deposit of gold to a few and decreasing number of individuals, whereby an injurious monopoly is created.

*Q.* Are you aware that the last limitation is with a view of ultimately confining all note circulation to *one bank of issue*. What is your opinion of that plan?

One bank of issue injurious.

*A.* That it is very mischievous. In proof of this I will request attention to what has lately occurred; viz. that all the recent extensive and ruinous bankruptcies have occurred either in London or Lancashire, or those parts of the country where Bank of England notes *alone* are in circulation; whereas in those parts of the country where other notes have *also* been in use, scarcely one such bankruptcy has taken place! This is a striking and important fact. Money, of course, should have only one source of issue — the State; but commercial currency, being a voluntary arrangement in business, should be unfettered. It is freedom from meddling, and not the absence of customs duties, which constitutes real freedom of trade.

Commercial currency should be free.

*Q.* Is it not desirable that the issue of notes should be so concentrated as to afford to the Bank of England or some other competent body the power of duly *regulating the currency*?

Regulation of currency absurd.

*A.* No; the currency, if let alone, will regulate itself much better than any body of men can. It is a mischievous conceit in a legislature to imagine that they can manage the affairs of individuals better than they can themselves.

Division of  
bank de-  
partments.

*Q.* What is your opinion of the *division of the Bank* of England into two departments, and of the weekly publication of the state of its affairs?

*A.* As far as the publication goes, I consider it too frequent, and the divided form of the return tends to confuse more than to inform the public. It is useful only to the money jobber, while it tends to foster the very erroneous notion that the commerce of the country ought to be regulated by the state of the money market and the foreign exchanges. Moreover, whenever the reserve of the Bank becomes low, it unnecessarily creates a partial alarm and *panic*, to the great disturbance of trade.

*Q.* You have answered only as to publication; what have you to say upon the division of the business?

*A.* I consider the division which prevents one part of the establishment assisting the other, as an additional difficulty thrown in the way of circulation, and therefore injurious to trade, without having one redeeming quality of usefulness. It has also been made either in ignorance or in defiance of the existence of the two descriptions of currency which I explained in the early part of my evidence, viz., *money* and *commercial currency*. The proper division would have been between the 14,000,000*l.* issued upon the security of the Government (which should be invested with the character of money and not be demandable in gold at a fixed price) and the notes issued by the Bank on its own account. Over the former they should have no control, and with it they should have nothing to do, excepting as the paid agents of the Exchequer or the Mint, employed to transact their business.

Act of 1819.

*Q.* You seem very decided in your condemnation of the monetary system established in 1819, and its complement in 1844; but seem to forget the important object which it accomplished of redeeming us from a fatal and ruinous system of paper money, and re-establishing the ancient gold *standard of value*.

*A.* With respect to the *system*, I am at a loss to comprehend how that system can be *fatal* and *ruinous* which enabled us to raise within eighteen years the enormous sum

which now constitutes five hundred millions of public debt, and in one particular year one hundred and thirty millions, — whereby our credit was so raised that we were enabled to increase our National Debt to 800,000,000*l.*, — which, notwithstanding that the greater part of this was not applied to productive purposes, but was absorbed in the wasteful expenditure of war, enabled us, when the struggle was at an end, to commence paying it off at the rate of fifteen millions a year, — and which during all this time was adding to national and individual wealth at a greater rate than had ever been known. I should rather be disposed to apply the terms *fatal* and *ruinous* to that system which has since the year 1819 been adopted in its place, under which all chances of paying off debt have vanished; the public expenditure exceeds the revenue, notwithstanding the reimposition of the war tax on property and income; periodical panics and inundations of bankruptcy have taken the place of the commercial prosperity which formerly characterised England; manufacturing labourers are overworked and underpaid; their children demoralised because their labour can be obtained at a cheaper money rate than that of the father; the poor-rate is increasing; and the welfare of industry is sacrificed to capital.

With respect to the *standard of value*, food is the real “standard of value.” Gold, from its scarcity, its durability, and its convenience of transport, has been adopted by all nations as the measure by which the values of all commodities may be ascertained. Two articles of the most dissimilar nature may be exchanged with the greatest ease by parties of different countries and languages by translating both into their value in gold. Thus gold has become, by nature and circumstance, the *standard measure of value*. It is a great mistake to suppose that it has been, or can be, so constituted by Act of Parliament. A standard is *one* point from which to start, while *price* is a relation between *two* things. What is therefore known as the “standard of value” supposed to be established by the Act of 1819 (being the relation between gold and

Standard of  
value.



currency) is in fact a standard of *price*,—than which nothing can be more inconsistent with every sound rule of political economy and commerce. Yet this is done in the law of 1819, which enacts that the price of an ounce of gold shall be 3*l.* 17*s.* 10½*d.* in our currency, whereby the price of all commodities is necessarily influenced. This attempt to fix the price of gold has also had the usual effect of rendering it more variable, and therefore less suitable for a standard than nature has made it.

The Act of 1819, therefore, it will be seen, instead of establishing the “standard of value,” has violated it, and prevents its beneficial action.

Remedy.

*Q.* What plan then would you recommend for placing the currency upon a proper footing?

*A.* To free the currency from the shackles with which it is now bound, and allow it to act freely and find its own level like the commodities with which it has to deal. A government money (that which is issued in anticipation of taxes) should be issued to meet the object which calls it forth. If the taxes are to be paid in money, money should be provided for the purpose. The people should not be called upon to make bricks without straw. With the commercial currency the government have nothing to do, and ought not to meddle. All that is required of the legislature is, that they should guard the ignorant and the poorer classes from being deceived, by calling upon those who issue notes to give reasonable assurance that they are what they profess to be, viz. the representatives of value. This has been satisfactorily done in Scotland for many years, by the establishment of an excellent system of Joint Stock Banking. In England, the publication of the names of the partners has had a good effect. In the State of New York, bankers are compelled to give direct security, either in government stock or in mortgages, and are consequently relieved from personal responsibility as to these notes: and this plan has worked well there for the last ten years.

*Q.* Could you state your plan in a simple form?

*A.* Yes. It is reducible to two simple points, applicable to the two classes of currency. The details would



of course require arrangement, but would involve no difficulty.

I. All government, or taxation *Money*, instead of the inconvenient form of Exchequer Bills, should be issued in Exchequer Notes of convenient amounts, from 1*l.* upwards, not bearing interest, being legal tenders for taxes and all payments.

II. The *Commercial Currency* should be issuable in notes of 1*l.* and upwards, by all bankers affording satisfactory assurance of their responsibility; these notes to be payable on demand, either in legal tender money, or in gold at its market price.

Thus a large annual amount would be saved, which is now wantonly thrown away in the interest of Exchequer Bills; and the circulation would encourage productive industry, give support to the working classes, enlarge the home market for our manufactures, diminish the poor-rate, and rapidly increase the revenue. There would be no new principle involved. The same security would exist for these public "promises to pay," as has existed for a century, viz. the good faith of the government, and the liability of the whole property of the country.

Beneficial effect.

Q. Would not the Exchequer money you thus propose be a novelty in our system?

Government or Exchequer money the ancient practice.

A. By no means: it would, in point of fact, be a recurrence to the ancient principle of money successfully acted upon in this country for centuries. Exchequer bills have been current from the days of Henry III. In their present form, not being receivable in payment of taxes until their maturity, they are frequently at a discount discreditable to the government issuing them. Exchequer tallies of wood form the original on which the paper Exchequer bill is founded.

Q. Would it not necessarily lead to an *over issue*, and consequent depreciation of the currency, rise in prices, and excess of speculation?

No danger of over-issue.

A. As to "over-issue," there is no danger of any thing of the kind. No banker parts with a note unless he receive a value in return. No person gives that value for the note unless he have a use for it. No note will remain out

longer than that use exists. Currency does not create transactions: transactions call forth currency. But supposing the possibility of over-issue, it could only be under a monopoly, such as the One Bank of Issue system; and the most effectual cure (far beyond any enactment) would be the existence of several banks of issue, when it would be the business of each to send home the notes of all the others as early as possible, so that none could remain out forty-eight hours longer than they were wanted.

The paper of private parties could in no way depreciate the general currency, which would all take its tone from the state money.

The supply of currency, or symbols of value, could not improperly affect prices. If prices should rise, upon the removal of restraint, it will be a clear proof that they had been artificially and injuriously kept down by the existing restrictive system.

Restriction  
of money  
productive  
of rash spe-  
culation.

Commerce is "speculation." Is it then the declared and professed object of the Acts of 1819 and 1844 to cripple the commerce of the country? It can scarcely be supposed that such an intention will be avowed. But it must be obvious that any restraint intended to clip the *wings* of speculation must injure the security of the *body*. No government or legislature ought to attempt to control the interchange of commodities between man and man. Experience, too, has shown that it is an insufficiency or limitation, not a superabundance, of currency that leads to rash speculation. The more restricted our currency has been, the more frequent and extensive have been our panics and bankruptcies. That this must always be the case, is obvious. Give people a sufficiency of a legitimate currency to enable them to get a fair profit upon their industry, and they will be less inclined to gamble. Transactions carried on through the medium of a legitimate and responsible currency *may* be disadvantageous to one of the parties, but they cannot be unsound. It is the unjust and impolitic limitation of this medium which drives people to the use of a spurious currency or an unsound system of credit, by which many are led to undertake more than they can perform.

If the peculiar sort of speculation which it is desired to discourage be that which may be defined by the term *gambling*, then is the legislation of 1819 at least useless, for gambling does not require the intervention of currency at all. The late extensive dealings in railway shares were carried on almost entirely without it.

It should be borne in mind that labour cannot be set to work without currency, and that currency cannot be called into action but by the employment of labour. So that any limitation upon the currency is a direct and serious injury to productive industry. It could easily be shown at the same time that it is not so beneficial to the capitalist as some persons think. The injustice done to industry reacts upon capital.

Currency essential to employment of labour and capital.

*Q.* Would not the course you recommend cause *gold to be withdrawn* from the Bank, and to be exported?

Gold at its market price profitable to the nation.

*A.* On the contrary, if gold were left to its market price, like any other commodity, it would not generally be so much in request as our manufactures, which are more practically useful. Gold would not be exported without a profit, and then its departure would be beneficial to this country, like the export of other merchandise. When required again it would be repurchased, but at no higher price than we thought it then worth, so that a gain would arise from both transactions, while the property would in the meantime have been fructifying in various ways. It is the present system which, by fixing a low price upon gold, irrespective of its value in the market, holds out a strong inducement for its exportation.

*Q.* But it is invariably found that it returns in the course of time to the coffers of the Bank. Since October last it has been gradually returning?

Fixed price of gold injurious.

*A.* That is true. It returns to its state of uselessness, in which it is a burden to the country. But mark the difference: whereas, in the case of a free trade in gold as referred to in my last answer, every transaction is attended with profit; in the existing state of things, under the Acts of 1819 and 1844, every step, both of action and inaction, is attended with loss. First, we are bound by law to part with it whenever the fixed price is so much



lower than the market as to make it worth anybody's while to demand it. Next, when it is wanted back to fulfil the requirement of the law to resume its sleep, for no earthly purpose but to fulfil the enactments of a baneful statute, the Bank have the power, which they exercise with a most unmerciful tyranny, of forcing down prices below that of gold, *i. e.* to a losing level. Then, and not till then, does the gold return. It has now been returning for some months. But at what cost? The loss of capital that has been sustained since April last, arising from this cause, is enormous; thousands of persons have been ruined; and a wide spread of panic, bankruptcy, insolvency, and composition, has taken place.

Destroyed  
firms.

*Q.* But you will surely admit that, although there have been several conspicuous instances of the bankrupt firms being solvent, yet some large and imposing concerns were carrying on business without capital, and were found to be in a state of unsoundness and insolvency, which could not last, and ought not to have existed?

*A.* True: but it should also be recollected that it was under the influence of the restricted currency of 1819 and 1844, that those concerns were either fostered without capital, or having once had capital, were ruined.

*Q.* Is it to be understood, then, that you would recommend the abandonment of the *gold basis* of our currency, and the substitution of an unlimited issue of paper?

Gold basis  
of the pre-  
sent cur-  
rency a de-  
lusion.

*A.* As that question involves several grave misapprehensions, it does not admit of a simple answer. It assumes, erroneously, 1. That we *ought* to have a gold basis for our currency. 2. That we *have* such a basis. 3. That it is proposed to *substitute* a basis which we have not for one that we have. 4. That the combination of rags, lamp-black, and ink, of which a paper currency is composed, forms its basis. 5. That the removal of the restraints with which it is now fettered would cause the quantity of our currency to expand to an unlimited extent. 6. That if the quantity did increase, it would be injurious. 7. That without restraint it would be in the power of bankers to issue whatever amount of currency they pleased.



I will endeavour to answer each of these points as a distinct question.

1. Currency is the representative of value. To attempt to make it represent only one particular commodity is to cripple its usefulness, and consequently to shut out a portion of the willing labour of the country from employment. For, as has been observed, labour cannot be set to work in a country in an advanced state of civilisation, excepting by currency; while currency cannot by possibility be used without employing labour. The very qualities (durability and compactness) which make gold the most convenient article for barter, and an excellent substance of which to form a portion of a currency, (particularly in countries where little confidence or credit exists,) render it very unfit for a basis, because they afford facilities to its being withdrawn. It would be better to use the gold itself for circulation, for then the expense of collecting it would place a wholesome check in the way of its exportation. Land, which is immovable, would be a far better basis than gold, which is so removable. Another presumptive reason why it is not necessary to have a gold basis is, that we have not got it, and have never had it; for,

Currency a representative of value.

2. When Sir Robert Peel introduced the bill of 1819, by which the present system of currency was established, he stated it to be mainly upon the ground of the necessity of this gold basis; yet, in introducing that of 1844, he admitted, not only the want of necessity, but the absolute impossibility of carrying it out. He consequently founded the currency upon 14,000,000*l.* of debt in London, and 8,000,000*l.* of promises to pay in the country; leaving only the remainder to be based upon gold. Our national debt, funded and unfunded, of nearly 800,000,000*l.*, is not based on gold. It is based upon the whole property of the country, to a portion of which the holder of stock or exchequer bills is guaranteed through taxation.

Present currency, how constituted.

3. The whole taxable property of the country then being really the basis of our currency, and not gold, it is not proposed to substitute any other.

On taxable property of the country.

4. In order to bring ridicule upon a paper currency, those who cannot urge a sound argument against it, talk of it as if it represented no more value than the pieces of paper of which it is composed. Whether sagacity or candour be the more prominent feature in the character of these parties, it would not be inappropriate to ask them the old school-boy question — “Which is the heavier, a pound of lead, or a pound of feathers?”

5. It is another popular error to suppose that, if the restraint upon the currency were removed, it would increase to an unlimited extent, and that a limit ought therefore to be placed upon it. This theory rests upon the extraordinary supposition that currency creates transactions; whereas the fact is, that transactions create currency. It is the capitalist that sets the navvie in motion, and the navvie the wheelbarrow; not the wheelbarrow that drags the navvie.

6. If anything be artificially kept down, when the restraining power is removed it will rise, but only to its natural level. Those gentlemen who propagate the theory that currency is different from everything else, and would, if unrestrained, rise to a fearful height, and inundate every thing, might learn a useful lesson from their easy chairs, the cushions of which, when they rise from their own dreams, will rise from their compressed position. As the art of the upholsterer has placed a limit to the swelling of the cushions, so has nature placed a limit to currency. As no currency can exist without employing labour, so when all the labour of the country is employed, the currency will have arrived at its maximum. All increase, until it arrive at this point, must obviously be beneficial and not injurious.

7. I have explained the impossibility of any banker keeping notes in circulation that are not required by transactions, *i.e.*, for the employment of labour. But if there be any doubt upon this subject, an infallible cure is to encourage the existence of several banks of issue, in different parts of the country, and they will be efficient checks upon each other. Such a system too will prove highly

Transactions the  
real measure of cur-  
rency.

Competition  
the check to  
over-issue of  
commercial  
currency.

beneficial, in other respects, as local banks can meet the wants of commerce far more effectually than a central establishment in London, which, as we have seen, can only apply a Procrustean rule, which, in the fever of a panic will strangle or behead a large portion of its patients.

Q. If the present check were removed, would there not be danger of a large issue of paper, and a consequent advance of prices to an inconvenient extent ?

Prices relative to currency.

A. Far from it. Under the present restrictive system, the fear of a scarcity induces many to hoard, and to withhold their means from active employment. If the restrictions were removed, and currency could be obtained whenever value was offered for it, this holding back would cease, and the outstanding amount would be all in active and efficient operation, so that the present extent of transactions would be carried on with less currency instead of requiring more. If an extension were required, it would be for the purpose of additional transactions, which, so far from being dangerous, would set additional labour to work, and add to the wealth of the country and the social and peaceful condition of the people.

To whatever extent it may be carried, so long as the paper represents value, which I consider to be the essence of a currency, it can have no effect whatever upon prices, which are quoted in the government money. The word "issue" seems to mislead the public mind, as if bank notes were sent out like young heroes in nursery tales, to see what they can buy and outbid each other ; or as if bankers dealt them out at the corners of the streets like Dr. Eady's bills. On the contrary, the bank directors and other discounting bankers who have given their opinion in favour, not only of the act of 1819, but of its aggravation or complement in 1844, will be able to give evidence that no banker parts with a note until he receives its value in some shape or other.

The credit of an individual or body may be doubted, and then their paper will not be equal in value with that of one in perfect credit, so that it will require more of it to buy a particular commodity. But even this difference



does not occur with promises to pay *on demand*. If doubted at all they are rejected altogether, and immediately cease to be current.

Competition the check to prices.

If, after the removal of the restriction, prices should rise, it will be a clear proof that they have been unnaturally and injuriously kept down. My opinion is that they have been so kept down, and that they will rise upon the emancipation of the currency; but that it will not be to any dangerous or inconvenient extent, will be obvious when we reflect that the same removal of restriction, which it is supposed would open the door to exorbitant prices, would give still greater facilities to competition, to which we may safely look for protection when there is no monopoly of money.

Supposed difference between paper and gold under government money.

Q. On your plan of currency, what do you expect would be the difference between the estimated value of the government paper and gold?

A. With the advantages this country enjoys in capital, skill, industry, enterprise, locomotion, and machinery, I do not believe the difference that could practically obtain would exceed the present difference between our existing coinage of silver compared with that of our gold; that is, the new paper money and the silver coinage would probably circulate at par. This would not be more than one half the difference which existed between paper and gold during the war that terminated in 1815, when gold was free—for it should be borne in mind that, in 1811, our silver coinage, by Act of Parliament, was 25 per cent. under its present scale; nor would it amount to so much difference as existed under the legal standard of 1797, when the 500 millions of debt created during the war commenced to be contracted.

Beneficial effect of proposed currency on foreign trade.

Q. Would not the relaxations you propose in the future currency, and a free price of gold, embarrass our *Foreign Trade*?

A. Quite otherwise; it would materially facilitate it, and render it reasonably productive to those who labour, and to those who employ capital in manufactures and commerce, which has not been the case of late years.

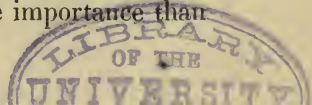


We deal with the foreigner according to natural value,—that is, value irrespective of our peculiar taxation; and this natural value is equivalent to gold at the recognised price of the world, namely, at about 3*l.* 17*s.* 10½*d.* per ounce: it is at this rate we are obliged to sell our goods abroad. No enactment of our own can bind other countries, or can alter this operation of the open market of the world, excepting to our own prejudice. This disadvantage we have entailed upon ourselves by the mischievous legislation of 1819 and 1844. The exporting merchant would be really protected, and foreign sales would not only be facilitated, but become profitable to the manufacturer and merchant, if those acts were repealed, and we again had a circulating medium for home purposes that would give him the means of repossessing himself of taxation prices on the conversion of his gold payment into our home currency. Manufacturers would no longer be compelled, by the action of the Bank of England screw, to sacrifice their property in order to force the useless importation of gold into this country. At home we ought always to deal with each other at prices which include taxation with natural value. We cannot deal with each other on a lower scale, and still afford just remuneration to the home producer, who has paid taxation combined with natural value, in the wages of labour. For the benefit, therefore, both of home and foreign trade, we require in this country a circulating medium capable of expressing prices so combining natural value and taxation, which gold, from its nature, cannot do.

Q. What do you expect would be the consequence to manufactures and commerce of a relaxation of the restrictive clauses of the Acts of 1819 and 1844, and a reverting to an authorised amount of annual taxation money?

Benefits to be expected from suggested change.

A. I am confident that in a very short time the staple manufactures of the country would assume a condition of prosperity—artisans and labourers, now idle and dissatisfied, would find employment—wages would rise, as they did during the war, beyond the rise in the prices of commodities, while the means of paying them would be proportionate—and what would be of far more importance than



the nominal rate of wages, employment would be more constant and regular. Retail dealers would become prosperous. The working classes would then be able, as they are already most willing, to second the efforts of the philanthropic (now comparatively abortive) in promoting their religious, moral, educational, and sanatory improvement. Useful and practical railways would be carried forward and completed. Harbours of refuge and national defences might be proceeded with. All the classes benefited would spend more freely — and the effect of restored confidence, and consequently more readily paid rents, would be to stimulate the purchases of the higher classes to an extent they have not reached for years — while, as a direct result, taxation on its present scale would be considerably more productive. Contentment, instead of the scowl of dissatisfaction, would mark the countenances of our artisans, and all calls for such organic changes as those sought by Chartists, by Leaguers, and by Repealers, would be neutralised and cease ; and this because, being employed and satisfied, the motive for seeking change would be destroyed. The legislature would be seen to have done justice of itself to all. Class interests would no longer be the bone of contention. Under this system, by the improvement of the revenue derived from customs and excise, there would be no occasion for an income tax ; even without this obnoxious impost there would be a reasonable prospect, from surplus revenue, of reducing the National Debt by some millions annually ; and the public creditors would have no fear of being mulcted by a further reduction of interest. Thus would they enjoy far more security for present income, and be assured against an ultimate repudiation of the National Debt.

The witness withdrew.

Mr. BULL *further examined.*

Q. In your former evidence you have recommended an issue of 1*l.* notes. Are you aware that several practical men object to this on account of the great *liability to forgery*? And have you considered this point?

One-pound notes — forgery and depreciation.

A. I have ; and attach no weight to it. I believe that a reference to official returns will show that in times of metallic currency there have been more prosecutions for coining than there have been for forgery under a paper currency : and this although the latter class of prosecution is stimulated by private interest. I also think that there is less loss arising from forged notes than from light sovereigns, which government allows to be worn down to a considerable extent, and then suddenly compels the unfortunate holder, who is no way in fault, to make up the loss. This, practically, falls with double severity upon the poorer classes, who are frequently compelled to pay the tradesmen with whom they deal twice the amount of the real deficiency. But even if there were a greater loss upon the 1*l.* note than upon gold, its advantages would greatly counterbalance it, in as much as it would enable capital to employ the whole industry of the country, which gold, from its limited amount, is utterly unable to do.

Q. There is another objection to 1*l.* notes of a very serious nature, viz. that they take the place of sovereigns, and thus disturb the gold basis of our currency.

A. I have given my opinion upon what is called the “Gold Basis.” If bank notes be so much more useful that they are preferred to gold coin, and “take its place,” why should an arbitrary statute be interposed to prevent their use? Surely this must be a mischievous interference with trade ; and if applied to any, why not to *all* bank notes? It is a glaring instance of Class Legislation to allow to the richer classes the acknowledged convenience of



notes, and to deny it to the payers and receivers of wages. I have not heard any body attempt to explain why a bank which may safely be trusted for 5*l.* cannot be trusted for 1*l.*

Advantages  
of paper  
money.

Paper also possesses an important advantage over gold in the case of robbery. The gold once out of the possession of the real owner, is entirely lost to him. Paper, on the contrary, is traceable and recoverable, into whatever hands it may have fallen. Thus it is not only more secure to the owner, but adds materially to the power of suppressing this class of crime.

Panics ar-  
rested by  
one pound  
notes.

But I recommend the use of 1*l.* notes upon the very ground which you seem to think objectionable, viz. that they take the place now occupied by sovereigns. This they do, and perform the office of a currency much more efficiently and faithfully, never deserting their post in the most trying times, as sovereigns do on the first appearance of danger or profit. The commercial distresses in 1822 and 1826 were immediately removed by issues of 1*l.* notes

Standard of  
value.

Q. But if you do not acknowledge the absolute necessity, you must admit that it was very advisable at the end of the war, to bring back the value of the note to an equality with the gold pound?

A. I certainly do not acknowledge any necessity in the case. We throve many years with the inequality, and might have done so still, but for the dabbling of 1819. No more loss arises from a piece of paper being worth 20*s.* and a piece of gold being worth 25*s.*, than from one piece of paper being worth 20*s.* and another worth 40*s.* At the same time I fully admit it to be very desirable that the two values should be brought as soon as possible to an equality; not, however, because it would signify one straw whether the pound sterling consisted of three, four, or five dwts. of gold, but because it would indicate that our taxation was reduced to a reasonable level. In short, it is very desirable that our debt and taxation should be considerably reduced, for that is the only way in which the currency of a highly-taxed country can really be equalised with gold. To propose to balance the account in any other way is fraudulent.



The course pursued by the Act of 1819 was not to pay the debt, but to *alter the figures*; that is, it said that the pound sterling, after being loaded with a taxation of thirty or forty per cent., should be set down as having cost no more than the untaxed pound of former days. The difference still exists, but has been put out of sight by this juggle, and has for the last thirty years been paid by the productive classes, who have thus ever since been prevented from bringing it to account against the consumer. Many individuals have been hanged for smaller frauds. Legislatures have too many necks.

Taxation  
the cause of  
difference  
between  
currency  
and gold.

We must not deceive ourselves with the fallacy that Parliament can by enactment alter *value*; it can only alter *price*. This was the deception practised in 1819 with respect to gold. Before the operation of the system thus established, the taxed paper currency and untaxed gold bore their relative prices in the market, as every thing unfettered does. An Act of Parliament, therefore, altering the price of any of them, could only interfere to disturb this commercial freedom, and must have acted mischievously. Those concerned in passing the Act, if they had any knowledge of monetary or commercial affairs, or of political economy, ought to have seen that this was the wrong way of going to work. They ought to have known that the proper way was to find out, and remove, the cause of the difference which existed.

Effects of  
Act of 1819.

Now, in this instance, what was the cause? obviously the taxation necessary to pay the interest of our debt. There are two ways of meeting this difficulty — the sponge, or payment. The present Monetary System is fast tending towards the former. I recommend the latter. After much suffering from the contracted scope of our currency, we had been compelled, in 1797, to throw off the fetters of a gold currency, under which the powers of taxation were exhausted, and the country was within twenty-four hours of bankruptcy, and to extend our paper currency very considerably. With this paper money, being free from the imperfections of gold as a currency, the enormous expenses of the war were defrayed, and the greater portion of our

Cause of  
change of  
currency in  
1797.

national debt was contracted ; because, in addition to natural value, that currency was capable of expressing taxation to the fullest extent to which wealth existed capable of bearing it. Moreover, that wealth, so far from being exhausted thereby, was immensely increased by its circulation.

Imagined depreciation a just action of the currency.

The fact of this paper being current in this country only, and not marketable over the world, made it subject to, and gave it the power of expressing, our taxation. On the contrary, gold, finding a market everywhere at its natural value, could not be subjected to our local taxation. Hence arose the difference between our currency and gold. Interested parties who wished to establish a monopoly in money for their own benefit, called this a depreciation of the paper, implying that it was of less value than it professed to be, and that the credit of the country had suffered from its issue, in which there was not the slightest truth. It was a wholesome difference, and so far from doing any harm whatever, was the only means of doing justice to the producers, who in no other way could obtain from the consumer repayment of the taxes they had paid. Under these circumstances it ought to exist, until its cause (the national debt, and consequent heavy taxation) are sufficiently reduced. The arbitrary fixation of the price of gold, so far from forwarding this object, has seriously retarded it. Before 1819 we had an annual surplus for paying off debt at the rate of 15,000,000*l.* per annum. Since that time scarcely any portion has been cleared off, little more than a million a year on the average ; the taxation has become more and more burdensome ; and for the last three years our expenditure has exceeded our income.

Reduction of national debt possible under system suggested.

I beg to hand in an excellent letter from the late Sir Robert Peel in 1826, well-suited to the present time. (See Appendix A.)

Difference between paper currency and gold.

Q. In your former evidence, you stated that one of the consequences of the course you recommend would be, that the paper pound in our currency would no longer correspond with the gold pound. Would not great inconvenience arise from this difference ?

A. On the contrary, it would be attended with great

advantages both to our home and our foreign trade. The paper pound would encourage productive industry, by ensuring a remunerating price for labour. The increased labour thus stimulated would ensure an abundant supply of products to the consumer, and secure him at all times against excessive prices. It would ensure the revenue by the increased production and consumption of exciseable commodities. It would increase and render more profitable our foreign trade, by enabling us to deal with the foreigner upon the principles of pure barter, or value for value, uninfluenced by the taxation which enters into the cost of production in this country, and of which, by means of the gold pound, the foreigner now obtains so large a share. The benefit that would arise from returning to the system pursued in our prosperity, and allowing gold to be dealt with like other commodities, instead of being privileged above all, would recur at every dealing or exchange, and would thus multiply in perpetuity. Gold would then fall into its proper place as a useful servant of commerce, not its master; its ultimate end would no longer be to make all other wealth pay tribute to it at the rate of *twenty-eight hundred per cent.*

Q. Are you not aware that Parliament has declared that “a *Pound* is a certain definite quantity of gold, with a mark upon it to determine its weight and fineness; and that the engagement to pay a pound means nothing, and can mean nothing else, than the promise to pay to the holder, when he demands it, that definite quantity of gold?” Also, that the present laws are founded upon that conviction?

What is a pound?

A. I recollect that the House of Commons did countenance such an opinion, absurd as I shall show it to be. I concluded, at first, that it must have referred to the *Pound Troy*; because to apply it to the *Pound Sterling* is neither according to history, nor tradition, nor to the ancient monetary system of the country; nor is it in any respect true, but evident nonsense, and calculated to mislead. Never, until the year 1816, was gold the measure of the pound sterling at all. And with regard to their relations to each



other, there have been twenty-two alterations in the metallic value of the pound since the commencement of the reign of William I.

The natural value of gold varies but little. Hence it has been universally adopted as the best measure of value. Under our present monetary system its price is artificial, and it varies considerably. It defeats the very object for which it was established. Former Sovereigns and parliaments altered the quantity of the precious metals in a pound according to their altered values, and were compelled to make those alterations whenever that value came to vary much from the standard previously fixed. It remained for the wisdom of our legislators of 1819 to fix an arbitrary price in defiance of value; and not only to defy the law of supply and demand, but, in direct opposition to it, to *fix a low price*, to *discourage a supply*, and to *compel a demand*!

With respect to the assertion, that "every body who has contracted to pay a pound has engaged to pay 5 dwts. 3 grs. of gold," it has *no foundation whatever*, either in law, or custom, or theory, or practice. Nobody ever did, or does, intend any such thing, unless where expressly stipulated in a contract; and I doubt if such a contract exist. Supposing such a practice to be established, it would at once annihilate nine-tenths of the trading transactions of the country; we should fall back from civilisation, and sink into poverty. If the present laws be founded upon any such absurdity, the sooner they are repealed the better. What debtors *do* promise to pay, is a certain amount in the legal currency of the country.

To raise the price of the currency, therefore, as was done by the Act of 1819, is a glaring fraud upon the debtor class of the community; a class which does not consist, as some dupes of the Bullionists imagine, of the insolvents, but comprises the industrious producers who make beneficial use of the accumulated capital which would otherwise be useless.

It should be borne in mind that the intention of currency is to represent value, without regard to the shape in which that value may exist. It is nothing short of stu-



pidity or dishonesty to say that it is intended to represent gold alone. While saying this, I am aware that there are some who say that gold is ordained by Providence to be the currency of the world, and seem to think it profane to talk of any other ; although, in practice, they acknowledge the usefulness and safety of bank notes. These poor people, however, I consider harmless, compared to those who coolly blame Providence for their own blunders.

*Q.* Would you, then, advocate an *unlimited issue* of paper, and no regulation of the currency?

Regulation  
of the cur-  
rency.

*A.* Why should it be limited? I have before shown that, if left to itself, on the basis of property, it cannot expand injuriously. Distress has invariably attended every limitation, and prosperity as invariably every removal of it. The occasional low rate of interest arising out of the present fettered system, will tempt people to unwise speculations more frequently than the steadier rates of an unfettered supply.

But supposing any control or regulation of the currency were desirable, it would be difficult to find a more injurious way of applying it than fixing the amount. 1. That which suits one period will not suit another ; 2. The same amount of currency at one time will do much more business than it will at another, according to the activity of its circulation ; 3. That activity is very much crippled by a limitation of the total amount ; 4. If nearly the full extent of the prescribed quantity be out, it naturally produces panic, and a fear that there may not be enough ; and the consequence is, that the more it is wanted the more it is hoarded and kept out of circulation ; 5. This produce a fluctuation not only incompatible with, but antagonistic to, the requirements of trade ; 6. This uncertainty is even worse than the actual limitation ; for when a man has entered upon a most beneficial speculation, it frequently happens that he is stopped in the middle of it, and ruined.

In fact, the phrase “unlimited issue” is one of those bugbears invented by the Bullionists to frighten the ignorant, and deter them from inquiry. The truth is that, bearing in mind the real nature of currency, (viz. that it is

Currency  
representa-  
tive of pro-  
perty or  
capital.

the exchangeable representative of property,) it will be obvious that it cannot be over-issued. Its issue is naturally stopped when there is no more capital to be represented, or no more labour to be employed. It is not the over-issue of currency, but the issue of a rotten paper under cover of its name, which is the real subject of dread, although these philosophers are not aware of it. Now, nothing is more productive of this false and unsound circulation, than the denial of a legitimate currency. Capital and labour are constantly struggling for employment, and if denied the *natural* means of doing so by bad and arbitrary laws, they will, even at great risk, seek some other. Hence arises the great quantity of unsound private paper now attempting to do the duty of the sound currency denied us by the acts of 1819 and 1844.

Money and  
capital.

*Q.* You seem to attribute the evil entirely to the condition of the currency. Are you aware that it has been stated that it was not Money but Capital that was wanted?

*A.* I am aware of such an assertion having been made, but am at a loss to comprehend it, or to see how it applies as an answer to parties urging commercial distress. Those who use it as an argument in support of the present restrictive monetary system stultify themselves; for, if it be true, it is under this system that our capital, formerly so abundant, has dwindled to so low an ebb. Besides, whichever were deficient, the obvious remedy would be, as far as possible to supply the deficiency, — not to discourage industry, and thereby withhold the only means of reproducing.

Commercial  
distress.

*Q.* Do you think that the legislature would be justified in departing from *principle* to relieve commercial distress, however extended? and is it not better to adhere to sound principles, and to allow individuals to suffer for their imprudence, however great that necessary suffering may be, until trade has recovered from the shock?

*A.* First, it is necessary to ascertain that the principle is sound. When the distress is so severe, and so general, as it has been for the last twelvemonth, it would be natural to suppose that even the most bigoted would begin to

suspect that there must be something wrong in the system under which it arose. I have already shown that the principles adhered to in this instance are unsound; that the wide-spread ruin and distress have not been produced by the imprudence of the parties, but by legislative tinkers; and that trade and industry cannot return to a healthy state under their present restraint. An obstinate refusal to listen to common sense must not be confounded with an adherence to principle.

Q. You profess to object to class legislation; but in the whole course of your evidence, although you have urged much on behalf of the merchant and manufacturer, you have not once mentioned the *agriculturist*. If your system apply only to particular classes, how will it relieve the distress, which is general?

The agriculturist at present unscathed.

A. It is true that I have not mentioned the agriculturist; but it does not follow that I have not been thinking more of his interest than he has of his own. He is at present apparently well off, in consequence of high prices induced by a short crop, and does not see the danger that awaits him. The present monetary system is undoubtedly class legislation, being supported only by discounting bankers, and other interested parties. That which I recommend has every chance of being otherwise, because it is entirely inartificial, advantageous to all, and founded upon the natural course of events, and upon the practice of this country in times when it was prosperous. It is true that under the most impartial plan of operations, some will benefit more than others, although they may be so short-sighted as not to see their own interest. In the present case, for instance, there is a conspicuous class of persons, and among them a particular individual, who would derive incalculable advantage from adopting the course which I recommend. Their blindness, indeed, in resisting so just and advantageous a course, and in hugging the chains which are daily heaping disgrace and difficulties upon them, is almost inexplicable.

The parties to whom I allude are Her Majesty's ministers, and especially the Chancellor of the Exchequer. How

Finance ministers create their



own difficulties.

one in such a position, with such difficulties around him, with so palpable an opportunity before him of doing justice to all classes — of allaying discontent — of paralysing chartism, leaguism, direct-taxism, and repealism\* — of increasing the revenue, and rendering all questions of income tax unnecessary — can obstinately oppose himself to this obvious interest of himself and friends, is *almost* incomprehensible. There seems little doubt but that any ministry, stepping forward at the present time to relieve industry from the trammels of “regulation” and usury, would acquire such a hold upon the gratitude of the country, that their peaceable possession of office for the next twenty years, under the most ordinary attempt at good conduct, would be all but certain. It is a lamentable evidence of the dearth of talent among our rising men, that nobody has yet occupied this righteous and obvious ground of success!

Opinions of some bankers.

*Q.* Are you acquainted with the fact, that several Bank Directors and other Bankers hold opinions upon this subject opposite to yours?

Example of convulsed nations.

*A.* I am. But those who enjoy a monopoly are not the most likely to advise its dissolution. Moreover, bankers are not the best judges of commercial affairs. From the nature of their occupation, their minds are too much confined to a narrow view of the subject. They think there is nothing like leather. On the other hand, I have testimony of far greater weight in favour of the opinions I have explained, viz. — the *whole of Europe*. On the late outbreak, the first step of almost all the Governments (Old, New, and Provisional) was to enlarge the currency, and to establish discount banks. Those which did so have stood their ground for the time. This is a convincing proof, not only of the prevalence but of the correctness of the opinion, that industry has been injuriously fettered.

Our blind infatuation in refusing to attend to so awful a warning, (backed as it is by private ruin, misery, discon-

\* Ay, and of averting rebellion in Ireland without an army.



tent, and turbulence at home, and by the fearful fact of the increasing calls for radical changes, however absurd their form,) almost forces the reflecting mind to the conclusion, that this country has entered upon that preparatory state which, it is said, Providence has appointed as a prelude to destruction.

Q. [By a Member.] I admit, indeed I believe it is now generally acknowledged, that a great injustice was committed in 1819 by the alteration of prices consequent upon the fixing the price of gold. But that evil has passed away; all contracts and transactions have now adjusted themselves to the new state of things; the injured parties are dead and gone; and it would be a greater injustice to revert the standard as it existed in 1797. It is therefore considered not only more prudent, but more equitable, to allow the currency to remain in the state into which it has settled down rather than again to disturb it by repealing the Acts of 1819 and 1844.

Unfounded  
argument  
against  
doing jus-  
tice.

A. The fancy of the honourable member has evidently been caught by one of the clap-traps of the Bullionists, and he has consequently not given himself the trouble of five minutes' reflection upon it; otherwise he could scarcely have failed to see that he is not at all aware of the effects of the measure of 1819. That Act, when it fixed the price of gold at its natural value, *i. e.* at a price so low that it did not bear or represent any part of our indirect taxation to which every other commodity whatever is subject, not only committed an extensive robbery of all those then indebted, for the benefit of the bullion dealer, but *established a system* by which all those who might thereafter become indebted should be defrauded in the same way. In short, however serious the *retrospective* effects of this measure may have been, its principal and professedly its only object was its effect for the *future*.

Injurious  
effect of  
Act of 1819  
felt every  
day.

Unless, therefore, those who say that the wrong which was committed in 1819 has passed away, can show that the Act then passed was merely an arbitrary regulation of existing contracts, and not a system for the future regulation of the currency, as it professed to be, they prove

that the conclusion they draw, that the "evil has passed away," is fallacious. It was a *system* of injustice, which has not passed away, but is still in operation, and becoming more and more oppressive.

If the Act of 1819 did not make some provision for the future regulation of the currency, then was it one of the greatest frauds that was ever perpetrated upon the public, introduced under false pretences, and working a great wrong without any prospect of benefit arising from it. 2. If it did make those provisions, and they have actually failed, so that the whole of its effects have passed away with the past explosion, then was it one of the most clumsy and inefficient measures ever proposed to Parliament. 3. It is notorious, however, that neither of these two positions is the correct one; but that the Act of 1819 was confessedly a measure for the future regulation of the currency; and that the Act of 1844 was passed to stimulate and perfect it. That it has continued to work its effect, whether for good or for evil, is clearly proved, both by those who condemn it as being the cause of great evils, and by those who consider its maintenance of far greater consequence than the welfare of the English operatives, the lives of the Irish peasantry, or the peace and security of the country.

Aggravated  
by Act of  
1844.

In fact, the injury and injustice committed in 1819 were but a trifle compared to the amount of that which the measure has been in the constant unmitigated habit of inflicting ever since. The thousands of persons and millions of property which have been sacrificed to this great *Benamuckee* of the Bullionists, attest that the evil has not passed away. On the contrary, it is visibly increasing, and will increase with the increase of the population, and the competition of other countries.

The restoration sought by the free currency-men is not a restoration of the losses inflicted upon thousands of their fellow subjects; but the restoration of their natural right to do as they please with their own property, and to manage their affairs in their own way. It is not a restoration of the stolen property, but a protection against

future robbery ; not a compensation for damages, but the abatement of a nuisance.

If, therefore, the only pretence left for refusing an equitable consideration of the question is that contained in the present question, the defenders of the Acts of 1819 and 1844 prove themselves to be in the wrong, and that their position is untenable.

Bullionists  
stultify  
themselves.

*Q.* [By a Right Hon. Member.] It is, however, considered by those who support the present system, that it is much better to have a limited amount of currency based upon gold, than an unlimited extent of fictitious credit. How do you answer what appears so reasonable ?

Comparison  
of the two  
systems.

*A.* It is not necessary to enter upon any argument on that abstract position. It will be enough at present to state that it has no reference whatever to the question before the Committee. It must be either gross ignorance and inattention to what has occurred upon the subject, or wilful misrepresentation, which attributes to the Anti-Bullionists a desire to establish a baseless currency.

Of the present currency under the Act of 1844, which the *Bullionists* impudently assert to be based upon gold, 22,000,000*l.* are notoriously based upon nothing but credit ! It is one of the leading objects of the *Anti-Bullionists* that all the currency should be founded upon property, and *none* upon mere credit. The currency they recommend, therefore, is more secure than that of the Bullionists, and more capable of maintaining its “convertibility.” This is one difference between the two opinions.

Moreover the Anti-Bullionists desire that the currency should be founded upon the broad basis of *property*, which would extend its use to all capitalists, without favour to a particular class. The Bullionists, on the contrary, wish its foundation to be confined not only to one commodity, but that the monopoly of its use should be bestowed upon a few privileged individuals, with full power to pillage the rest of the community at the rate of 10, 15, or 20 per cent. per annum. This is another difference between the two opinions.



The Anti-Bullionists consider this restriction, this monopoly, and this extortion, not only an injustice committed against the great body of the people, but a serious shock upon commerce, and a glaring instance of hypocrisy in men who profess to be advocates of freedom of trade; and they point to the fact of the Bullionists having destroyed 250,000,000*l.* of property during the last year, to bring back 9,000,000*l.* of their darling bullion, and to the serious check this has given to trade, as a striking condemnation of their system. The Bullionists, on the other hand, (or, at least, so says their champion,) rejoice in this devastation, and applaud themselves when they chucklingly tell us that the pressure is the most wholesome thing in the world for us, and they are glad to see it! They uphold their system *because of* the injury it does to trade! This is a third difference between the two opinions.

One great error of the Bullionists' argument lies in the absurd fallacy that there is no shape in which wealth can exist but gold, which is in fact little more than a representative of wealth after all, for no one eats it, drinks it, or clothes himself in it. To correct the evil effects of that error, little else is wanting than to allow gold to be dealt with like any other commodity.

Converti-  
bility?

*Q.* But has it not been shown that the Bank of England, even in the most extreme case that has occurred, could have paid in gold all their notes that had the most remote chance of being presented? Is not this an assurance of the convertibility of the note to the greatest practical extent? How then can you make out that by the Anti-Bullion plan it would be more secure?

Depositors  
in jeopardy.

*A.* I would submit that although it has been *asserted* that the Bank of England could have paid all their notes in gold, it is *very far from proved*. Assuming, however, for argument sake, that they could have done so, it is clearly shown by those who make the above assertion, that this payment of their own note liabilities must have been at the expense of their depositors, who, had they come the day after, would have found no gold left for them;—had



they come the day before, would have rendered the bank note utterly inconvertible.

Thus, it will be obvious that this pretended "convertibility" of the note is based upon a premeditated fraud and robbery of the depositors; just as the credit of the Bank of England, under the Bullionist system, is supported by taxing the community at large, (who are, by the common law of the land, as much entitled to exchange their commodities as the holders of bullion,) to the extent of 8, 10, 15, or 20 per cent. per annum, and by the destruction of the property of others to twenty-eight times the amount of that which is required for their own preservation.

The witness withdrew.

*Third Examination of MR. BULL.*

*Commons' First Report.*

First Re-  
port on Na-  
tional Dis-  
tress.

*Q.* Have you read the First Report of the Committee on National Distress, and the evidence taken before it?

*A.* I have.

*Q.* Have you seen any thing in the evidence to induce you to change the opinions expressed in your former evidence upon the subject?

*A.* Nothing whatever. But I see much there to confirm and strengthen them. There are, it is true, opinions given by some three or four witnesses in favour of the present restrictive system of currency, as contained in the Acts of 1819 and 1844, the legislation of 1844 being, in point of fact, the realisation of 1819; but they are entirely unsupported by facts, and are neutralised by adverse admissions these witnesses were constrained to make. These opinions proceed only from the monopolists, in whose favour the restrictions were created, viz.—*three* Bank of England Directors, and *one* large discounting provincial and London banker (reputed to be the author of the bill of 1844); while thirteen witnesses utterly condemn those acts, and adduce indisputable facts in confirmation of their opinion.

Notwithstanding this, I find that the first Report states that the preponderance of the evidence is in favour of the present restrictive system. No reliance, therefore, can be placed upon the statements of this Report itself. Indeed a consideration of the proceedings will show that its adoption had little reference to the evidence, but it was perverted to a party purpose, and was supported only by those who had either taken part in the original passing of the Act of 1844, or had pledged themselves to its support some of whom had not heard any of the evidence. All those who had not been perpetrators or accessories of this great commercial crime voted against its continuance.

*Q.* Does not the general concurrence of opinion among the witnesses, “that the primary cause of the distress was the deficient harvest, especially the potato crop in the year 1846, and the consequent necessity of providing the means of payment in the year 1847, for the unprecedented importation of various descriptions of food which took place in that year,” in any way shake your confidence in your own views?

Failure of crops not the cause of distress.

*A.* I can see no such “general concurrence.” There were seventeen witnesses examined, and of them thirteen testified against the existing legislation. But even if there had been that general concurrence, or there had even been an *entire* concurrence of opinion, it would only have shown the incompetency of the witnesses to judge on the subject; it could not have altered the immutable laws of nature. The natural tendency of a deficient harvest in one year is not to depress or cripple commerce, but to stimulate and extend it, as the only means of supplying the deficiency. This, in fact, is the advantage which civilisation has over barbarism to escape famine; and this would have been the result of the late scarcity, had there not been laws in existence calculated and intended to check commerce — or speculation, as it is called by the anti-commercial statesmen of the present day, with a view to throwing a slur upon it — by limiting the means of carrying it on. This is illustrated in the resolutions moved as an amendment by Mr. Cayley in opposition to those of the Chancellor of the Exchequer, and is corroborated by the resolutions of Mr. Spooner. In the first place we limit the currency (which ought, when required to be able to represent the value of any kind of wealth,) to the amount of gold which may be accumulated in a few favoured spots; and next, having given this gold the sole monopoly of supplying currency to the country, we have not only repealed all the laws which formerly forbade its exportation, but actually enforce its sale below its market price. Can it then be wondered at, with this bribe held out, that when something must be exported to purchase corn from abroad, this low-priced ar-

Resolutions of Mr. Cayley and Mr. Spooner.

ticle, gold, is selected by the exporters in preference to our manufactures, until the manufacturers are starved into parting with their goods at a loss? or can it surprise us, that if the currency is to be diminished to the extent of this withdrawal of gold, commercial distress ensues?

Scarcity in  
1800.

Scarcities have frequently occurred before the existence of the present money laws, and have never been attended by commercial distress. That in 1800, when corn on the average of the year rose to 113s. per quarter, was much more severe than that of 1846, but produced neither panic nor commercial distress.

Present  
system ob-  
structs com-  
merce.

That the present currency and banking laws *do* check commerce — for all commerce is speculation — is admitted on all hands; and it is marvellous how such anti-commercial statutes should ever have been passed in this trading country, or should be tolerated two years! The supporters of those measures confess this to be their express object in maintaining them; colouring their views, however, under the flimsy pretext that it is only *undue* speculation they wish to check. What right has any government to interfere with the nature of the speculations of individuals, or wherein does the wisdom of such policy consist? who is to define what is undue? how shall they impart to their crippled currency, or to the favoured depositories of it, the discernment, the inducement, and the power to prevent the effects of their screw acting much more frequently and more severely upon the *due* than upon the *undue*, — the former being the more numerous, and always involving something to lose?

Price of  
cotton; rail-  
ways and  
Eastern  
trade not  
causes.

*Q.* Do you think, as some do, that the deficient supply of *Cotton*, the diversion of capital from its ordinary employment in commercial transactions to the construction of *Railroads*, the undue *extension of credit*, especially in our transactions with the East, and *exaggerated expectations* of enlarged trade, have contributed to the distress?

Cotton.

*A.* First, Cotton has been scarce and plentiful, high and low in price, and has borne as much fluctuation as most articles; bringing advantages and disadvantages, from time to time, to those who deal in it, without producing any



general derangement of trade; its depression, moreover, below a remunerating price to importers, is owing entirely to the action of the currency, which the Governor of the Bank of England shews necessarily lowers all things in the market, in order to command the gold. The reduction of the manufactured article must lower the price of the raw material. If, however, it be thought that the scarcity of cotton (the dealings in which are confined to a particular trade) has on this occasion contributed to that effect, it should be borne in mind that its price during the year 1847 varied only 50 per cent., while that of money during the same period varied 200 per cent. The pernicious effects, therefore, of a scarcity of money, "which enters into all transactions," must have been much more extensive than those arising from a scarcity of cotton, which occupies little more than half a million of hands. I was consequently surprised on looking over the Report to see no mention made of any witnesses having grappled with this important fact.

Secondly, The *diversion of capital*, as it is called, from its ordinary employment in commercial transactions to the construction of Railroads, if it have any meaning, or had any bearing upon the question, must have had the very opposite effect; it must have tended to relieve the commercial and agricultural interests from a portion of that capital which was too abundant to enable it to obtain an adequate return, and to have lightened that accumulation which has been stigmatised with the mistaken name of "overproduction." It is not capital that has been wanted during the present distress, notwithstanding the enormous quantity that has been sacrificed to a vicious theory; but the permission and means of using capital, which would have been afforded by a free currency. The diversion of capital, from one useful employment to another, may produce inconvenience and loss to some, but cannot create a general panic or distress. No distress arose until the new employment was stopped, when immediately thousands were delivered up to ruin and starvation.

Railways.

Thirdly, The *undue extension of credit* has been forced

Undue credit.

upon the commercial and trading portion of the community by the laws withholding from them a legitimate currency ; and that crying evil would be in a great measure cured by their repeal.

Alleged  
over-trad-  
ing.

Fourthly, *Exaggerated expectations* of enlarged trade (which, in the present instance, were excited and encouraged by the Ministry and several prominent statesmen of the day) would of course be likely to injure those who acted upon them, and their connections. But this would in no way produce general commercial distress, or affect those unconnected with such transactions, as the present state of things has done with tens of thousands of persons, and to the amount of many millions of property.

*Q.* Do you then doubt the agency of these causes in producing the effect in question ?

*A.* The considerations I have suggested will show that none of these causes can account for the “recent,” and *present* (for it still continues) “commercial distress.”

*Q.* Do you give this answer after having referred to the evidence taken before the committee ?

*A.* Yes. A reference to the evidence shows it to be at absolute variance with the Report.

No steps  
have been  
taken by  
parliament  
for relief.

*Q.* Are you aware that with regard to some of the circumstances referred to in the Report as the causes of the commercial distress, provision has been already made by parliament, and that others are beyond the control of legislative enactment ?

*A.* I am not aware that Parliament has done anything whatever to remove the causes of the commercial distress. If they *think* they have, they deceive themselves : if they *say* so, they deceive others.

Abandon-  
ment of re-  
striction on  
money the  
only relief.

But the change recommended by thirteen out of the seventeen witnesses called before the committee, is also desired by the productive classes of the community, and is advocated by almost the entire press of the country, excepting the well-known organ of the usurers. This is *not* beyond the control of the legislature, requiring simply the repeal of the restrictive clauses of the acts of 1819 and 1844. This would give far more freedom to trade than the entire repeal of the Excise and Custom duties, even if that mea-

sure were responded to by foreign nations, which of course it never will be.

*Q.* An opinion has been expressed that earlier steps in the autumn of 1846 and spring of 1847, on the part of the Bank of England, might have obviated the necessity for the more stringent measures which circumstances compelled the Directors to adopt in April, and might thus have prevented the alarm which was caused by those measures and the long-continued panic. What is your opinion upon this point?

*A.* The circumstances which *compelled* the Directors to apply the screw in April 1847 were not of a natural or commercial nature, but were purely legislative blunderings. They were simply these, that the acts of 1819 and 1844, after compelling the Directors to part with their gold below its market price, (*i. e.* for less than the price at which the manufacturers can sell their goods with a profit,) forced them to reduce the circulating currency of the country to the extent to which they had thus bribed the foreigner to take their gold, thus preventing the manufacturer from holding his goods until he could obtain a better price, and forcing him to sell at a loss.

Panic,  
April 1847.

*Q.* What is your opinion of the effect of the act of 1844 upon the obligation of the Bank to look beyond the pecuniary interest of its proprietors, and to consider the public interest?

Effect of  
Act of 1844  
on the conduct of the  
Bank.

*A.* There is no enactment upon the subject: some of the vague expressions used by the Right Hon. Baronet who introduced the bill, have been quoted as exonerating the Bank from all considerations excepting that of obtaining as much profit out of the public as possible.

But I am clearly of opinion that the Bank of England, having sold their consciences to the — ministers of the day, and assisted in deluding the public by promising to pay all their notes in gold at the present Mint price, which they knew to be impossible, and having in return received a profitable monopoly at the expence of the commerce of the country, with the mischievous power of “exercising great influence over the general mercantile and monetary



transactions of the country," are in equity called upon to comply with its wishes, a duty which I believe the Bank has never disclaimed.

I am far, however, from thinking that this arrangement is the most beneficial for the public interest; but as it would take up too much time to enter at large upon this part of the subject, and as it does not necessarily relate to the inquiry before the committee, I merely throw it out at present as a hint.

I have no doubt of the permanent interests of the Bank, if it were unshackled and unhampered by injurious monopolies, being identified with those of the public at large. But, judging from reason, and from the experience of notorious facts, I do not think that, under present circumstances, those interests are so identified.

Interference  
of parliament  
with  
trade inju-  
rious.

Nor, even supposing that identity to exist, do I think that it would of necessity "insure an enlightened administration of the affairs of the Bank." Experience would lead to a very different conclusion. I am aware that it is a kind of axiom with political economists that men will always do that which is best for their own interest; but every day's experience tends to disprove this. The economists themselves indeed are foremost to do so. The favourite defence — the *Fauxbourg St. Antoine* — the *Père-la-Chaise*, of these political wiseacres in support of a restrictive currency, is that if the public were allowed to manage their own affairs, they would infallibly violate this *axiom* and ruin themselves. They therefore argue that the ignorant merchants, manufacturers, farmers, and tradesmen, of this country require a nurse to keep them out of the fire, and they have the modesty to offer themselves for the place. They assume that a trading corporation in London can manage the affairs of a Liverpool merchant better than he can himself; that a parliament can predict better in 1844 what will be wanted in 1848 or 1858 than those who may experience those wants when the time arrives.

Blunder of  
the Chan-  
cellor of

But one of the most remarkable instances which history has, or will have, to record of a man acting adversely to



his own interest, is now manifest before the Committee. Looking round to the vast and extensive benefits that would be conferred by removing the fetters now placed upon our currency, and restoring it to its natural and honest state of freedom, ramified as those benefits would be into every corner of the British empire, there is no man who would be more benefited by the abolition of the present dishonest system of currency than the Chancellor of the Exchequer. Yet, judging from the published proceedings of the committee, and debates in Parliament, he seems to be the man who is most strenuous in supporting this enormous job. All this, too, when no one accuses him of deriving, either publicly or privately, the slightest advantage from it ; but, on the contrary, it is notorious that his family have been for a long period suffering a loss of many thousands a year in the unnecessarily depressed price of an important mineral production which they possess, by the operation of the present restrictive monetary system. Did we not see the immense sacrifices both of fortune and of character frequently made for the sake of party, one would almost feel it charitable to conclude that the individual in question was more fit for Hanwell than for the House of Commons.

Under the present system of fettered currency Usury thrives, trade and manufactures become unproductive, labourers are unemployed, the Poor-rate increases, discontent spreads, Chartism and other morbid cancers of dissatisfaction spread, the revenue declines, the ministry is driven to attempt measures which it does not approve, or which it cannot carry ; and after thus exposing the unsoundness of the system upon which they are acting, they are finally forced to submit to what is perhaps the greatest disgrace that can fall upon a Finance Minister in this country, viz. proroguing Parliament with an expenditure greater than the revenue !

On the other hand, by removing the restrictions now placed upon the currency, and restoring to all her Majesty's subjects their natural right to manage their own affairs, (abandoning the silly conceit that Parliament can

Bad effects  
of vicious  
tampering  
with the  
currency  
since 1815.

Good effects  
of a return  
to a free  
currency.

do it better,) the scene would be completely changed. Trade and manufactures would become profitable, commerce would become a steady speculation instead of a hazardous risk, as it now is from the uncertainty of the currency. Labourers would consequently be better employed, and, being supported by wages, would leave the Poor-rate as a provision for the blind, the halt, and the aged; discontent would subside, and political agitators disappear. With more business and more employment the revenue would improve, and with reasonable care soon exceed the expenditure. The fear of new taxes would vanish, and the Chancellor of the Exchequer would be one of the most popular men in the kingdom.

When therefore I see a man deliberately choosing the false position which *he* has chosen, I cannot subscribe to the doctrine that men will always do that which is most for their own interest.

Appoint-  
ment of  
Bank Go-  
vernor.

*Q.* You are aware, perhaps, that the Court of Directors of the Bank of England have made a change as to the selection of the Governor and Deputy-Governor, calculated to improve the constitution of the governing body of the Bank?

*A.* I am glad to hear that it is thought that the proposed measure will be beneficial, but have not any favourable opinion of it myself. Whether beneficial or not, however, I am sorry to see the circumstance paraded in the Report, as it seems to imply that it is proposed still to leave the trade and commerce of the country at the mercy of a body of interested money dealers. I have full confidence in the upright intentions of the Bank Directors, and their general discretion; but, independently of their duty to their Shareholders to prefer their interest to that of the Public, they are frequently impelled to a course injurious to the community. Their wisdom, too, is often questionable.

It is not just to throw upon them that blame which belongs to the erroneous system to which their predecessors in an evil day gave their assent. A longer continuance of the Governor in office (provided he be the right man), would lead to more steadiness in the conduct of the Bank.

But to suppose that a radically defective law is to be made to act beneficially—that commerce is to be supported—that credit is to be sustained—that the current transactions of all parts of the country, even the most distant, are to be “regulated,” by the tinkering of the Bank parlour, is, in point of wisdom, upon a par with that of the deluded men who, (being out of work because their natural employers cannot obtain money to pay wages without giving the monopolists a ruinous price for it,) instead of asking for a removal of those restrictions which thus keep them in a starving condition, ask for universal suffrage!

Q. Was not the severe loss incurred by commercial houses in the course of last autumn from an unprecedented combination of the circumstances above referred to, seriously aggravated by the want of confidence which prevailed in consequence of the numerous failures which induced bankers and others to retain a reserve both of gold and of bank notes, to a very great extent? And did not this take place with a very large amount of notes in the hands of the public, probably exceeding, by no less than 4,000,000*l.*, “the actual requirements of the public at the time?”

Commercial distress.

A. I confess myself considerably mystified by this question, and know not where to find the commencement of the tangle.

Restricted currency the cause of difficulty.

The losses incurred by commercial houses were indeed very severe, as well as extensive. They were not, however, confined to those houses, but pervaded the whole mass of the industrious and productive classes, excepting in those districts where a competition of issuing banks existed. Ruin and misery were widely spread, and political agitation revived.

The combination of circumstances, by which they were produced, was quite unnecessary. Had they not been so combined by the confinement of restrictive money laws, and had the currency on the other hand had free scope to act, the losses would not have been one-fiftieth part of what they have been. The restricted currency was both the cause and an aggravating effect.



The want of confidence by which they were further aggravated was also produced by the same cause. Who could feel confidence, when he saw that the power of relief was forbidden? What prudent man would refrain from husbanding his resources under such circumstances? It is the natural consequence of limitation. It is in the nature of that anti-commercial millstone to grind its victims beyond the simple pressure of its original weight.

If the act of 1844 have so stultified itself as to induce the locking up of 4,000,000*l.* of its limited currency, it is a clear proof that it is working mischievously. It is crippling the exertions of industry much within the narrow limits intended three years before, although the population and its requirements have greatly increased in the interval.

Can the Committee, or any reflecting person, seriously wonder that commerce is distressed, when thus subjected to tinkering by anticipation? It requires all the intelligence and judgment of an experienced merchant to decide, from day to day, what shall be the course of his proceedings. Yet some members of the legislature seem to imagine that they can foretel, for years to come, what a community, consisting of millions of persons, may at all times find it necessary to do. A committee of prophets would shrink from such a task.

Govern-  
ment letter.

*Q.* But did not the issue of the letter of the 25th of October, by the First Lord of the Treasury and the Chancellor of the Exchequer, immediately remove the feeling of alarm?

*A.* It did; and perhaps nothing can show more clearly the evil effects of a limitation of the currency in the abstract. We have just seen that the panic was not the consequence of the entire absence of currency, absurdly restricted as it was, for there was "a very large amount of notes in the hands of the public, exceeding, by no less than 4,000,000*l.*, the actual requirements of the public at the time;" but it arose from a fear of a deficiency, in consequence of the extreme limit to which it could be issued being known. Nor was the panic removed by any addition



to the currency, but simply by the nominal removal of that untouched limit. The conclusion is palpable. Had there been no theoretical fixed limit of the kind, there would have been no *panic*.

*Q.* Are you aware that the possibility of circumstances arising, in which some such extraordinary measures might be called for in consequence of a monetary crisis, was not unforeseen by the Government at the time when the Act of 1844 was passed?

*A.* I understand that Mr. Cotton, who was Governor of the Bank at the time, and therefore an accomplice in the transaction, has said so. At first sight it appears strange, that being the case, that they did not make some provision to meet such a contingency; but, on consideration, the reason seems apparent. The confession of the necessity for giving way, as soon as the plan came to be put to the test, would have exposed its unsoundness. It would have been a confession that the expansive was the right, and the contracted the wrong, system of currency.

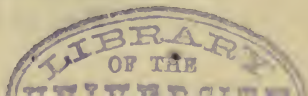
*Q.* You are probably aware that the evidence given upon the effects of the Act of 1844 is contradictory: that its beneficial effects, as regards the issues of the country banks, have been admitted by many witnesses; and although some have suggested an alteration of its provisions, very few have contested the general principles on which it is founded.

Evidence  
in com-  
mittee con-  
tradictory.

*A.* I confess that a perusal of the evidence did not lead me to that conclusion. As I have stated before, there appear to be, out of the seventeen witnesses examined, thirteen who condemn the Act of 1844, and only four, all interested parties, who attempt to support it. And even these four are compelled to admit the necessity of its relaxation when the Act comes into operation.

*Q.* Have you considered a question upon which considerable doubt has arisen, viz. whether or not it would be expedient to vest in the hands of Government or the Bank Directors a discretionary power to relax the stringency of the act of 1844, in extraordinary cases of emergency?

Power of  
relaxation.



*A.* I have, and consider it perfectly easy of solution. The very suggestion of the question affords strong presumptive evidence that the measure is a fair-weather cockle-shell, which must be overset at the first squall. The acknowledgment that it requires relaxation at the very moment it comes into actual operation, is an utter condemnation of the Act.

*Q.* Supposing it to be considered necessary that a power of relaxation should exist somewhere, do you think that it would be better entrusted to her Majesty's Ministers, or to the Directors of the Bank of England?

*A.* *Supposing* such a case, the Directors of the Bank would evidently know more about the matter, and would probably be consulted by Ministers before they acted. But the very fact of admitting that a relaxation is necessary completely condemns the *system*. From the earliest period of our history until the year 1819 no such thing as a limitation of the currency was ever heard of. From that time to the present, a period of twenty-nine years, during which the present monetary system has been the law of the land, there have been several distinct relaxations forced on by the distress existing under the restrictions, viz. 1822, 1825, 1836, and the last in 1847, extracted from the fears of an ungracious ministry, but not until they had looked calmly upon the destruction of millions of property, and the sacrifice of thousands of lives. In every instance which has been tried, the commercial distress has been immediately relieved by a very small step in the right direction: viz. the issue of Exchequer bills or an amount of 1*l*. notes.

A very grave constitutional question arises, namely, whether Government should be entrusted with a power, secretly exercised, by which the value of every man's property may be improved or depreciated at will? Whether that law can be said to be worth a moment's sanction that is dependent on such a will as we have seen the existing Government exercise? It is an ascertained fact, that the attempt to attract gold from abroad in 1847, after its efflux under the late scarcity, produced a dimi-

Relaxations  
since 1819.

nution in the value of property belonging to the confiding subjects of our Queen to an extent not less than two hundred and fifty millions sterling ; not to say any thing of the misery it produced among the labouring population.

I dispute the right of the legislature of any nation to impose a high scale of taxation on the necessities of life which enter into the daily consumption of the industrious, and then so to constitute and restrict the circulating medium, that it shall be inadequate to the repayment of that taxation, as was effected under the act of 1819. To do this is to prevent the producers of the country, whether the labouring classes or the capitalists, from obtaining remunerating prices. Under the unjust operation of such legislation we have seen successive Governments abandon one security after another, as they must successively abandon all fiscal charges, *until the national creditor* will tremble for his annual interest, ay, and his principal too. The nations of old acted on a far different principle ; they levied taxes, but they created the symbolic money in which these taxes could be paid, upon the principle propounded by the great Aristotle, that money is conventional : a principle also instanced in the case of the Roman tribute money, referred to by our Saviour. I am satisfied that, unless our Government consents to the adoption of a national paper money, expressing our expenditure and receivable in taxation, in which the precious metals and all other commodities can be freely exchanged, we shall go on from bad to worse, until a disruption of the social system takes place, as overwhelming of our institutions as that which has occurred in France.

Present currency injurious to producing classes.

Q. Are you aware of the fact that the Committee, after a careful review of all the evidence, are of opinion that it is not expedient to make any alteration in the Bank Act of 1844 ?

Decision of committee contrary to evidence.

A. I learnt, with some surprise, of their having come to that conclusion ; but how they reconcile it to the evidence before them passes my comprehension.



*Evidence before Commons' Committee.*

Q. If you have read that evidence, will you, as shortly as possible, state your views upon it?

Mr. S. J. Lloyd admits necessity of restriction.

A. There was not a single instance of a witness on the English branch of the case justifying the unalterable restriction of the Act of 1844, not even its reputed author, Mr. Samuel Jones Loyd. This gentleman, in reply to questions 5149 to 5154 inclusive, entirely admits the necessity of the relaxation of the Act effected by the Government letter of October, 1847; and with reference to the difficulties experienced in paying the Government dividends in 1847, and in transferring the actually paid-up Railway deposits to the Accountant General in 1846, which first indicated the breaking down of the Act of 1844, Mr. Loyd observes, in his answer to question 5146:—

“The payments with regard to the dividends, or the payments which may arise for other purposes, such as prompts upon duties, and payments upon railroads in the early part of 1846, and instalments of loans, and so forth, are all payments which ought to be met, and can be easily met, by judicious banking arrangements; and the Bank of England, I am sure, is perfectly competent to make arrangements which shall enable them to meet those payments with perfect safety, and without any serious inconvenience; that object is easily obtained by ‘judicious banking arrangements,’ and it would be highly objectionable to meet that by any tampering with the currency.”

The cool assurance of the author of the Bill of 1844, deprecating a tampering with the currency, will not escape the attention of the Committee. Mr. Jones Loyd would probably prefer some mere “accommodation” transaction similar to that by which the metallic supply was drawn from France in the year 1839, or some “pig upon bacon” manœuvre, such as the extensive issue of bills at two or three months, drawn by a banking firm in Lancashire upon their own establishment in London, in order to fill up the void created by the adsorption of Bank of England notes.

Mr. Cotton in favour of relaxation.

Mr. Cotton, the Governor of the Bank of England, at the time the Act of 1844 was under preparation, and



who was consulted on the occasion, originally, as will be seen by answer 4057 and 4247, recommended a power of relaxation being vested in Government, and consequently approved of the issue of the letter in October.

Although it is apparent from the evidence of the Governor and Deputy Governor of the Bank of England that relaxation may be necessary on future occasions, it will afford little consolation to those who have their property embarked in manufactures, trade, and commerce, to know how much destruction may take place before a remedy is vouchsafed. The following are questions and replies of the Governor and Deputy Governor of the Bank : —

Governor  
and Deputy  
Governor of  
Bank in  
favour of  
relaxation.

“3172. Q. The Committee understand you to think that though interference was justifiable on the 25th of October, 1847, any previous interference would have been improper ?

“A. Yes ; but I am not prepared to say that the interference on the 25th was unnecessary.

“3173. Q. So that, according to your opinion, before the Government would be justified in interfering, we must have the same extent of panic and alarm, and of failures ?

“A. I think the Government would not be justified in interfering under a less state of alarm and excitement than prevailed on that occasion.”

The tenor of all the succeeding answers of the Governor and Deputy Governor of the Bank of England on the same day show upon what an insecure monetary system the whole superstructure of commercial currency is based, while the following replies to questions 3278 to 3283 demonstrate the cruel havoc of property which necessarily ensues from that ill-conceived and iniquitous system — the safety of which is thus declared to depend upon a sweeping reduction of prices — thus scattering to the winds, in fact, the fair rewards of enterprise and industry.

Commercial  
distress  
adopted as  
the means of  
preserving  
the solvency  
of the Bank.

“3278. Q. When the Bank reserve is very low under the export of gold, is it impossible to afford an inducement for a speedy return of gold without creating great pressure ?

“A. The means of getting back the gold is, by *making money* dear, and causing a fall generally in the price of commodities, which will bring back gold.

"3279. Q. Then the means of attracting gold back to this country, after it has gone out, is to lower prices?"

"A. Prices will fall in consequence of the increased value of money.

"3280. Q. Under a great fall of prices, the Bank is comparatively safer?"

"A. A great fall of prices has a tendency to bring capital into the country, and as bullion flows into the country it acts upon the reserve of the Bank, and of all private bankers.

"3281. Q. But in order to attract gold back into the country, the more forced sales there are, and the lower the prices, the safer the position of the Bank is?"

"A. The lower the prices of commodities, the greater will be the tendency to the increase of the importation of the precious metals, and of the reserve of the Bank, and of bankers generally.

"3282. Q. Under that state of things, that is a pressure arising from a fall of prices, in order to secure the return of gold, does not any accommodation afforded to the public rather tend to obstruct the fall of prices?"

"A. Yes.

"3283. Q. The less accommodation, under that state of things, that is afforded to the public, the safer to the system?"

"A. The accommodation must of necessity, under that state of things, be reduced."

This is part of the testimony tendered before the Committee by the four supporters of the Act of 1844, in respect to England; this is the testimony of the author and friend of the Act of 1844; these are the admissions of the interested parties upon whom it may be supposed the Chancellor of the Exchequer relied in overbearing the other thirteen witnesses; these are the terms upon which the nation is to go on sacrificing for the attempt to enjoy impracticable "convertibility." Four of the witnesses, Messrs. Turner, Bevan, Bates, and Gardiner showed the necessity of a relaxation of the terms of the Act, while the testimony of other nine expressed in unmistakable language their denunciation of the enactment of 1844 as a whole; and yet, after this accumulation of testimony condemnatory of the entire legislation, the Committee, by means to which I shall just now refer, came to the stultifying resolution contained in clause 18:—

“Your Committee, after a careful review of all the evidence upon this part of the subject, are of opinion that it is not expedient to make any alteration in the provisions of that Act.”

Inconsistent resolution of the committee.

Had a jury at the Old Bailey delivered such a verdict upon such evidence, the judge would have referred them to their oaths.

It will remain for the future historian to record with the reprobation it deserves the absolute inconsistency of the Report with the evidence it professes to embody, on a question so vitally important to all classes of society. I cannot, however, refrain reflection upon an extraordinary proof of ignorance of the first principles of monetary and economic science apparent in witnesses so prominent as the Governor and Deputy Governor of the Bank of England. In answer to the question 3280 before adduced, they so express themselves as to lead to the absurd conclusion that the precious metals alone constitute capital. They say, “A great fall of prices has a tendency to bring ‘capital’ into the country.” Now, one is impelled to ask, does not the exported commodity constitute the “capital” of the exporter as much as the imported metal constitutes the capital of the importer? Do they suppose that the precious metals constitute the only wealth of a nation? Are they ignorant of the fact that the word used by the Romans to express money was “pecunia,” from “pecus,” cattle, which was the ancient money before the use of metals. But referring to the other replies of these high monetary functionaries, it appears monstrous that such sacrifices of the weal of this great empire, and such cold-blooded calculations upon the wages of labour, should in continuance be permitted; — that a monetary system, worthy only of the darkest ages, should be longer tolerated in this the nineteenth century.

Capital and gold coin founded by the Governor and Deputy Governor of the Bank of England.

The question will frequently be asked out of doors, How could such a specimen of legislative blundering escape the deserved censure of a Committee of intelligent gentlemen, members of the House of Commons — a legislative enactment which is thus described in a passage of the Report of the Committee of the House of Lords, —

Opinion of the House of Lords.



a Report which cannot be too extensively read, notwithstanding it is confined only to the more recent symptom of the disease, namely, the Act of 1844, and does not penetrate to the root of the mischief, that of 1819?

“It is true that to those who may have expected that the 7 & 8 Vict. c. 32. would effectually prevent a recurrence of cycles of commercial excitement and depression, the contrast between the years 1845 and 1847 must produce a grievous disappointment. To those who anticipated that the Act would put a check on improvident speculation, the disappointment cannot be less, if reliance is to be placed (as the Committee are confident it may) on the statement of the Governor of the Bank, and of other witnesses, that, ‘Speculations were never carried to such an enormous extent as in 1846 and the beginning of 1847.’ If the Act were relied on as a security against violent fluctuations in the value of money, the fallaciousness of such anticipation is conclusively proved by the fact, that whilst the difference between the highest and lowest rate of discount was in the calamitous years 1837 and 1839 but two and a quarter to two and three quarters per cent., the difference in 1847 rose to six and three quarters. If it was contemplated that the number and the extent of commercial failures would have been lessened, the deplorable narrative of the Governor of the Bank, recording the failure of thirty-three houses comparatively in large business, in London alone, to the amount of 8,129,000*l.*, is a conclusive reply. If the enormous extent to which railroad speculation has been carried be considered as an evil to which a sound system of banking could have applied a corrective, such a corrective has not been found in an Act, since the passing of which, during a period of three years, an increased railway capital of upwards of 221,000,000*l.* has been authorised to be raised by Parliament; and when the enormous sum of 76,390,000*l.* is stated, on high financial authority, to have been actually expended on railways in two years and a half. If the power of obtaining banking accommodation on moderate terms were considered to be promoted by the Act of 1844, it cannot be said that this important object has been attained, since it appears in evidence, that in 1847, in addition to an interest of nine or ten per cent., a commission was also frequently paid, raising the charge to ten, twenty, or thirty per cent., according to the time which bills had to run. The Committee are fully aware that alternations of periods of commercial excitement and of discredit, of speculation and of collapse, are likely to arise under all systems of currency; it would be visionary to imagine that they could be averted altogether, even if the circulation were exclusively metallic. But it is on this account that greater care should be taken to avoid increasing an evil, perhaps inevitable, by any arbitrary and artificial enactments.”



The answer to the above question is, that the Committee in its origin was so constituted as to secure the issue arrived at. The two parliamentary claimants to the concoction of the Act, namely, Sir Robert Peel and the Chancellor of the Exchequer, voted for it. Their measures were on their trial before the nation; and they strove hard to gain a majority in their favour. Yet they would have been defeated had not the noble Lord at the head of her Majesty's Government come at the eleventh hour to the rescue of their fond enactment; while, most unfortunately, two of the members of the Committee, Mr. Herries and Mr. Thomas Baring, who had shown a decided conviction against the bill, from the evidence which had come before them, were accidentally absent.

Decision of  
the Com-  
mons' Com-  
mittee, how  
produced.

There were nineteen meetings of the Committee on National Distress, in considering the case as it related to England and Wales. Of those who recorded their votes in favour of the legislation of 1844, in support of the Report embodying the resolutions of the Chancellor of the Exchequer, ONE had not attended at all,—two attended four times,—one five times only. Of those who opposed the present system, and who were present and voted when the resolutions were discussed, none attended the Committee less than twelve times. Two of them, it has been before explained, were accidentally absent from the meeting at which the English inquiry was concluded.

Seeing that the Report of the Chancellor of Exchequer was carried by members of the Committee who had either not attended, or had attended so loosely as not to justify their votes, and that Sir Robert Peel, whose monetary system, especially, was on its trial, had also voted: the independent members absented themselves from the inquiry in disgust; and it will be some time, one would think, before twenty-six gentlemen of the House of Commons will complacently be assembled in a room up-stairs, with a knowledge that all evidence is to be swamped by a packed majority who had not listened to the witnesses.

It has been said, If the members who absented themselves did not hear the evidence, they may have subse-

quently read it ; but, if this were sufficient, why confine a jury in a common law case to the box in Court ? Why not depend upon their collecting the evidence from report ? Why should particular individuals be elected on the Committee who are not likely to attend, and why exclude others who would give proper, candid, and fair attention ? Such proceeding deprives the Report of the Committee of all weight.

The gentlemen who were in a minority on the first Report, not having regularly attended the hearing of evidence, refrained from voting on the second, — a severe practical reproof to the other absentees.

Summaries  
of the evi-  
dence.

In order to form a correct view of the evidence, it is necessary in the first instance to divest the mind entirely of the Report agreed to by the Commons' Committee, which is completely at variance with the evidence. This done, the Committee have before them a very able series of resolutions proposed by Mr. Caley, and another by Mr. Spooner, giving not only a clear summary of the evidence, but drawing sound and practical conclusions from it. (Appendix B., C.)

There are also able summaries of the Scotch and Irish evidence contained in series of resolutions proposed by Mr. Spooner and Mr. Hume (Appendix D., E.) ; but these were rejected, like all the other common sense that was laid before them, by a majority of the Committee. Mr. Hume's valuable document refers shortly to the inestimable advantages derived by Scotland from that admirable system of banking under which it flourished for a century, and made such rapid strides to wealth. It points out the folly and stupidity of interfering with such a system ; and shows clearly, that with so successful a practical example before us, we need not grope in the cesspools of theorists for the means of extricating ourselves from our difficulties.

*Q.* Have you any other specific reference to make to the evidence ?

*A.* The truth is, I find the whole to be so much at variance with the Report that I might refer to it gene-

rally in support, to a certain extent, of the opinion I have expressed. The following questions and answers, however, will show forcibly the injurious effects of the present monetary system.

Mr. Gurney, the eminent bill-broker, Mr. Horsley Palmer, Mr. Bevan, Mr. Bates, Mr. Pease, and Mr. Birkbeck united in showing the imminence of the crisis under which the commercial interests of the nation were labouring when the Government letter was issued. Mr. Gurney, in reply to the following questions, thus expresses himself:—

Mr. Gurney.

1603. Supposing the letter of the Government had not been issued, but that the Act, in its full force, had been carried out into unmitigated operation, what, in your opinion, would have been the effect?—I think the wisest in the city cannot calculate; at the same time, my firm persuasion is, that it would have ended in a stoppage of the Bank; somehow or other, I think it would have produced that calamity, and that sort of extreme alarm over the country, that it would, before very long, have gone to a run for gold, and nothing would have stopped it; that is my impression.

Necessity of relaxation, Government letter.

1604. Do you think it would have affected the convertibility of the note in that way?—I think it would ultimately, but the wisest cannot exactly say; my own opinion is, that it would have run to a great national calamity.

1655. Do you consider that the calamities of the past year have been attended with very serious losses, irrespective of the parties who have actually failed. The question has reference to merchants and commercial men in the city of London?—I have no hesitation in saying, that the loss to the commercial community and the monied interest in 1847, is unprecedented in amount.

1656. Can you form any estimate of the loss sustained by the solvent mercantile houses in the city of London?—I could not venture upon such an opinion.

1657. But it must be very great in your estimation?—Very great indeed; I can only say, beyond all my previous experience.

Extent of loss by restriction.

Mr. Horsley Palmer thus replies regarding the crisis of 1847:—

Mr. H. Palmer.  
Crisis of 1847.

2114. Mr. Spooner.] What would be the effect upon the manufacturers and the labourers in the country during such an operation?—It destroys the labour of the country; at the present moment, in the neighbourhood of London, and in the manufacturing districts, you can hardly move in any direction without hearing



universal complaints of the want of employment of the labourers of the country.

2115. That you ascribe to the measure which it was necessary for the Bank to adopt, in order to preserve the convertibility of the note?—I think that the present depressed state of labour is entirely owing to that circumstance.

2116. Mr. *Cayley*.] The capital we get back upon the rectification of the exchanges affords no compensation for the capital which the country loses during the operation? — None; you have the strongest instance of that in the months of April and October of last year; in the month of April, in consequence of the stringent measures of the Bank, a million and a half of bullion was forced into the country from credit or capital; it was drawn back within a month or six weeks, in October, from the violence of the contraction of our importations of November, and I may say almost of December; and what is now coming from India is the effect of that discredit, and of capital being forced into the country; the East India Company are now bringing a million of silver from India, which, I believe, is intimately connected with the depressed state of trade between India and England.

2117. And the pressure produces forced sales?—It stops credit, and the British merchant sells his goods for the purpose of carrying on his forced operations, and to bring back his capital at an earlier period than it would come in the ordinary course of trade.

Mr. Bevan.  
Govern-  
ment letter.

Mr. Bevan gives his opinion thus :—

2369. What, in your opinion, would have been the consequence if the letter which was written on the 23d of October had been longer delayed? — No man can tell what the consequence would have been.

2370. Will you just state in what way you think it would have operated? — I cannot say where it would have stopped; the panic might have gone on and on, till at last there might have been just that which was so much feared, namely, a run for gold. It might have gone on to that; I do not say that it would.

Mr. Bates.

Mr. Bates, the merchant, thus describes the state of things :—

2518. You remember, of course, the 25th of October, when the Government letter was sent to the Bank; what effect had that letter upon public confidence? — It set every thing right at once; there was plenty of money immediately afterwards.

2519. Confidence was immediately restored? — Yes, it was.

Mr. Pease.

Mr. Pease, an extensive merchant and connected with



the manufacturing and mining interest of the county of Durham, thus replies :—

Imminence  
of the crisis.

4619. What was the effect produced by the Government letter of the 25th of October?—I was in London two days preceding the issue of that letter, and I then found it impossible to transact business of any kind, except with Bank of England notes; I had in my pocket a very large amount of Navy bills, and bills on the first houses in London, having only three or four days to run, and for those I could not obtain Bank of England notes, except as a personal favour of my private friends: I tendered them to the first houses in Lombard Street, and I was answered that they would take them with the greatest possible pleasure, but they really had not notes at command.

4669. Under all these operations of the screw by the Bank of England under adverse exchanges, upon whom does the distress or pressure fall the heaviest?—Undoubtedly upon the man who is forced out of work, or whose employment is seriously diminished; but as regards the impoverishment of capital, looking at it as a matter of pounds, shillings, and pence, *I should be afraid that the accounts of almost every man engaged in commerce or manufactures would show a frightful cutting down in the last year.*

4670. Do you think that even solvent houses have suffered?—I have no doubt of it; I do not speak of it universally, but generally, from the circumstances under which they have carried on business, the high rate of discount, and the failures and losses, and the great depreciation of stock; they have very bad accounts.

4671. But the classes who can least escape from the infliction are the working classes?—Certainly.

4672. *And the working classes suffer most?—Yes.*

Mr. Birkbeck, the avowed representative of the Country Bankers, demolishes the pretence of convertibility.

Mr. Birk-  
beck.  
Danger to  
converti-  
bility.

5892. Supposing the letter had not been issued, and this drain had come upon the Bank of England, what would have been the consequence if the Bank could not have met all its payments by means of its reserve?—It is frightful to contemplate what the consequence would have been.

5893. What would probably have been the effect upon the amount of bullion in the issue department?—It would have been drawn out.

5894. By the holders of the 14,000,000*l.* of notes that were issued upon securities?—Yes.

5895. Was not the convertibility of the note at that time in very imminent danger?—I think so.

5896. If the Act of 1844 had for its object to preserve the con-

vertibility of the note, do you think it answered its purpose?—I think not.

The oft-exploded, but still authoritatively adduced, fallacy of the recent national distress having had its origin in Railway operations, has been completely demolished by the evidence in the Commons' Committee; the following reply of Mr. Gurney will almost suffice.

Mr. Gurney.  
Railway speculation not productive of the distress.

1606. Do you attribute much to the effect of the railways?—I cannot in my own experience trace it to railways; my own experience, which is in the floating money of the country, has not led me to perceive much derangement in the circulating medium on account of railways; I have been asked several times, whether I thought it affected the money market while they were in progress; even during their progress, I was under the necessity of giving an answer that I could not tell, but still my reason would say that so far as the commercial capital of the country (I do not mean the mere floating money) has been withdrawn from commercial purposes and trading purposes into railways, it must have had a certain injurious effect upon trade; on the other hand, I should say that it was rather a time of excitement, in fact in trade, and there was no facility wanted; facility, if I may so say, was rather too ready, and therefore, though my reason and my judgment tells me that it must have had such an effect as that alluded to, my experience has not shown it to me.

Mr. Birkbeck on railways.

This quotation might well suffice; but the opinion of Mr. Birkbeck on this subject is so important, as representing the Country Bankers, that it is impossible to suppress it.

5919. And there has been, in conjunction with that, a very large investment in railways?—That, I think, would not have been felt to a serious degree but for the other causes; it would have caused individual suffering; but it would not have caused national suffering.

5920. Does it not raise the rate of interest in the market?—No, it does not; the money is there still.

5921. Then you do not think that the calls upon the country for railway purposes to the amount of 3,000,000*l.* or 4,000,000*l.* a month have had any effect in raising the rate of interest in the market, or producing a scarcity of money?—I cannot conceive that it could do so; provided there was a good state of trade, I do not think the nation would have felt it in the least; individuals might have felt it, but not the nation; the money is there still.

5922. Mr. *Hudson*.] It goes to landed proprietors, shopkeepers, and others?—Yes.

5923. Mr. *Cayley*.] There is the same amount of railway calls going on now, but yet money is at the cheap rate you have described?—Yes; there is very nearly the same amount of railway calls.

5924. Mr. *Spooner*.] At the time you allude to money was very cheap in the market?—It was.

5925. There was a great difficulty in employing it?—Yes.

5926. If it had not been employed in railroads, do you think it would have gone for investment elsewhere?—I think a good deal would have gone abroad.

5927. Being kept at home, have not the labourers of this country benefited from the general expenditure?—Yes.

5928. And the revenue has also benefited from that expenditure?—Yes.

5929. Did it at all lessen the amount of currency in the country?—I cannot conceive how it could lessen it.

5930. As you said before, it might have created some individual distress?—No doubt it has done so.

5931. But nationally it has not produced any effect?—No; all that I can charge upon the railways is, that it has occasioned the difference between keeping a number of labourers upon good wages and throwing them upon the poor rates.

But this gentleman, whose replies do honour to his class, describes so effectively the nature of those extensions of Bill circulation to which some Bankers have resorted to fill up the void created by an insufficiency of Bank notes, that it should not be withheld, more especially as it explains the nature of those which are technically termed “pig-upon-bacon” bills.

Advantage to Bankers from “pig-upon-bacon” bills.

5801. Did the Bankers in Lancashire, and in your district of Yorkshire, come to any understanding as to the use of Bankers’ drafts in 1847?—Six or seven years previous to last May, the great bulk of the payments in Lancashire were made in the Bank of England notes. Then there came an important change; we got Bankers’ drafts upon London for sums varying from 100*l.* to 5,000*l.* which we had never seen before.

Resort to bills of exchange to fill the void of insufficient currency.

5802. Can you at all account for that change?—I understood that it was in consequence of an arrangement between the bankers of Lancashire and their customers that they should not draw cash checks upon them, but should take bills instead.

5803. What necessity gave rise to that custom?—I think it was the effect of the Act of 1844 in restricting the Bank of England circulation.



5804. What was the length of the bills?—Some were two and some were three months' bills.

5805. Were they drawn by Banks in Lancashire, or were they drawn by Banks in different parts of the country, and circulated in Lancashire?—They were drawn by Banks in Manchester on their Bankers in London.

5806. And you have every reason to suppose that they were drawn in consequence of the poverty of the circulation?—Yes, I have no doubt of it.

5807. Were those bills drawn generally by the Manchester Banks?—Yes.

5808. By one Bank in particular?—No, by all the Banks.

5809. Mr. *Glyn*.] But had you not seen that practice prevail before the passing of the Act of 1844 in the same district?—Not to the same extent as in 1847.

5810. Was there not the same practice at other times when money became scarce there?—No; I had seen bills for six years previous to that, but I do not remember seeing any bills of two or three months.

5811. In 1838 did not the same practice exist?—No; during that time we did not see bankers' drafts for two or three months.

5812. Was not the practice of the Banks in Manchester very extensive at that period of drawing upon their agents in London?—I think not; the mode of conducting business is this, the manufacturers in Lancashire sell to the Manchester houses at four months; they sell this month, and the goods are paid for the next, and the buyers have the option of paying in Bank of England notes, and deducting interest at five per cent., or of paying in a three months' bill.

5813. Mr. *Cayley*.] Has it not been the practice for many years for some of the Manchester bankers to draw upon their own firms in London?—It has.

5814. Have not such bankers greater facility in drawing bills at two or three months' date at times of pressure, than their competitors who draw upon independent firms?—No doubt they have.

5815. Those who draw upon independent firms must lodge securities to cover the acceptance of their drafts?—Certainly.

5816. Then the bankers who have been in the habit of drawing upon their own firms in London must have a great advantage over the other banks?—No doubt they have.

With respect to the modes of escape from the panics under which the country so frequently labours, and to a change in the law, opinions are various.

Mr. Gurney thus treats of panics and their remedy:

1618. Do you consider that, when there is alarm, or what is technically called a panic, the cure for such panic is by an issue of



notes rather than by a contraction of notes? — *When there is a panic the only cure is a liberal issue of notes; and for this reason, that if the community feel that there is a difficulty in such issue it aggravates the panic; and though I have had it said to me more than once, "It is only panic—it is only panic," I am perfectly certain that there is nothing so powerful in its operation upon the circulating medium, or so wholly uncontrollable, except by an unlimited issue almost, as panic.*

Mr. Bates records his opinion thus :—

Mr. Bates.

2467. To what causes do you attribute the difficulties of the country in 1847? — I think it was a combination of causes; the alterations in the tariff, allowing the importation of so many articles free of duty, acted upon by an immense internal expenditure, stimulated importations, to which may be added the failure of the potato crop in Ireland; these were all aggravated by the stringent clauses of the Bank charter.

Mr. Pease shows his opinion of the embarrassing nature of the present monetary system, and leaves the remedy to be inferred, in reply to the following question :—

Mr. Pease.

4663. At this moment, supposing there were to be a general contraction of paper, and there were to be a drain of 8,000,000*l.* or 10,000,000*l.* of our bullion, or more, in what state would the productive classes and trading classes of this country be? — I am satisfied what course I should take; desiring to keep up the appreciation of paper as much as I possibly could, under circumstances very discouraging, *I should issue one or two millions of 1*l.* notes, and thereby get the sovereigns in; I should by that means take the sting out of the Act, though for my own part I prefer 50*s.* notes, and I should be very glad to see 50*s.* notes. The present gold circulation of the country is a very harassing and inconvenient circulation indeed; the circulation of bullion is carried to an extent that is extremely harassing to men of business; we want a cheaper medium of circulation; the wages that I am called upon to pay will not be less than 10,000*l.*, or 12,000*l.*, or 15,000*l.* a month; a great portion of that I have to raise in specie; I am forced to seek that gold round about, of the bankers in the district; I frequently pay an agio for obtaining it, and if I send the gold to London, my friends do not like to take it; they say that whatever they weigh it at, the Bank of England always weigh it at less, and they can never get the value of it at the Bank, and they will not even return the gold to them; and, therefore, the circulation of gold to the present extent is a most inconvenient and vexatious one to men in business who have large amounts to pay; I believe that the substitution of a lower denomination of paper*

money by the Bank of England would keep much more gold in this country, without depreciating paper at all, and I think the Bank would have a larger reserve to meet any difficulties.

Mr. Tooke. Mr. Tooke, who does not suggest a substitute, thus expresses himself as to the first step to a remedy :—

5465. Do you think that if the Act of 1844 had not been in operation, the Bank of England would have been able to give more extensive credit, and have prevented the alarm which produced the great fall of prices ? — Yes, that is my opinion.

5466. It was the contraction of credit from the limit under which the Bank was put by the Act of 1844, which created that loss of credit, and which produced all that want of confidence ? — That is my opinion.

5422. Then do you think, upon the whole, that the best remedy for protecting the public against crises like that which it has experienced in the past year, would be the entire repeal of the Act of 1844 ? — Most undoubtedly.

Mr. John  
Taylor.

The only opinions I shall now adduce are those of a gentleman who, having given deep attention to the bearing of the national currency, almost from the time the Act of 1819 was passed, and who has written extensively on the subject. I allude to Mr. John Taylor, who traces the national distress from its origin, and accounts for it differently from several of the witnesses.

Mr. Taylor is asked,

Causes of  
distress.

5498. Will you have the goodness to state to the Committee what you consider to be the causes of the distress of 1847 ?—I think that the ordinary causes to which that distress is attributed are not the causes of commercial distress ; they are the causes of great distress to some part of the community. The failure of the potato crop undoubtedly was a great calamity, but I do not think that that calamity was necessarily the cause of the commercial distress ; I think the commercial distress was rather caused by a peculiarity in our currency, which forbade our exercising the ability we ought to have to counteract that calamity.

Potato crop  
not an ade-  
quate  
cause.

5499. Do I understand you rightly that you consider the failure of the potato crop would have produced distress, but that under a wholesome system of currency it would not have produced the distress which the country has recently gone through ?—Exactly.

Not rail-  
ways ; they  
mitigated  
distress.

5500. With regard to the speculations in railways, do you consider that that was a cause of the distress ?—I do not think it

was at all a necessary cause of the distress; on the contrary, I think that to a considerable extent the money spent in railways mitigated the distress; I think the money spent in railways, instead of injuring the country, contributed to the prosperity, in a certain degree, of the country; I believe again it was owing to a peculiarity in our currency which, in my opinion, is not fitted to our circumstances, that railways were not of more advantage to the commerce of the country than they were permitted to be.

5501. Do not you conceive that the transfer of a large quantity of capital from floating capital to fixed capital produced great temporary injury to the country?—It might have done so under the peculiar circumstances in which this country is placed with reference to its currency, but I do not think it would have been at all a cause of the distress if we had had the state of currency in this country which I conceive we ought to have.

5502. Am I right in supposing that you trace all the difficulties that the country has gone through to the system of currency which is by law established?—I trace all the difficulties of the country which have caused what is deemed commercial distress to an error in our currency. I allow that evils must arise from year to year, and they are constantly occurring, as we find sometimes from one quarter and sometimes from another; but they are capable of being materially mitigated, and Providence has ordained that they shall be so mitigated, and that there shall never be an evil so un-mixed but that there shall be some countervailing circumstances, and such countervailing circumstances, I think, would have materially mitigated the evils alluded to in the question, if it had been permitted by a condition of the currency suitable to the exigencies of the nation.

Distress attributable to errors in currency legislation.

5571. With regard to the pressures that take place, which are supposed to come naturally, we have heard lately that alternations of prosperity and adversity are natural consequences; is that your opinion?—My opinion is, that, according to the description given of us, we are the most foolish people in the world; we are always supposed to be so anxious to rush into every engagement, that we bring ourselves perpetually into jeopardy, and then those panics arise, which are all attributed to the excessive cupidity of the English people, to their great desire to get money by any means. I do not think that this is the true character of the English people; I think they are misunderstood; I think that if we had such a paper-money as I contend we ought to have, to represent the taxation of the country, a properly constituted legal tender money, we might arrive at such a pitch of comparative prosperity, that people would not willingly throw away their existing advantages in insane attempts to get something more, which would generally disappoint them in the event. We should be more like what we once were, a people not over-working themselves, and not requiring any of those who were employed by them to be over-worked. I recollect the time when the lower classes of this country were in

Kind of currency required for this highly-taxed country.



far easier circumstances than they appear to be at present; there was not that intensity of labour in those early times which there is now, and there would not be such intensity exercised now if we had that system which we require, and without which we ought not to be subjected to a system of indirect taxation which calls for a rise of prices.

The present and past systems of currency.

5573. Do you think that the same amount of care, prudence and ability in the last 30 years would not have borne a man harmless through commercial adventures which carried him through them during the last century?—I believe in comparison with the time to which I would more willingly refer, that which preceded the last century, mercantile adventure has been far more hazardous since the termination of the late war: a better period, undoubtedly, than the present was that during the late war, when we had a system of currency which comes very nearly to the time that I look back to, when I speak of the times preceding 1700.

5574. Would you say that those alternations of prosperity and adversity were the necessary consequences of the present system, rather than natural alternations of prosperity and adversity?—I should say that they are the necessary consequences of the present system.

5589. You alluded to the period during the war; did not those commercial pressures occur during the war as well as since?—They occurred but seldom, and not with the intensity of suffering with which they have been attended since. During the war prices were high; men freely embarked in great adventures and met with considerable profits; it was only now and then that they experienced great reverses. The Berlin and Milan decrees were esteemed a serious blow to trade and commerce, and at first injured a great many people, but they also afforded an opportunity for great speculation, which was beneficial to many other people; for, after all, the country could not be deprived of what it wanted from abroad, nor could foreigners be debarred from getting goods from England in return.

Important but unappreciated effects of the change effected in 1797.

5592. Do you consider that the system existing during the restriction of cash payments was a perfect system?—As it stood during the war I do not think it was a perfect system; I think that there was placed in our power a very wonderful piece of machinery, the use of which we did not fully understand; it served our purpose admirably well, but we continued to use it to the end without seeing what great advantage that paper-money was capable of conferring upon us. We had gone on for a great many years, centuries I may say, with an imperfect system of metallic money, assisted by paper-money of various kinds; but it was never a perfect system of currency. Even before 1700 it was liable to abuse; it was never equal to the system we might have in action now; and when we were driven to the use of a legal tender paper in 1797, we did not see what a powerful instrument of good this paper-money might be made; we looked upon it as an evil rather than an advantage; and therefore, at the end of the war, we were



anxious to get rid of its use. If we had known its power, we might as well have got rid of iron, zinc, or any other commodity which we can now convert to a thousand useful purposes of which our ancestors had no conception; we might as well have given up the advantage of the use of the steam-engine as the use of paper-money.

With reference to scarcity of food not being necessarily a cause of monetary embarrassment under a sufficiently expansive currency, Mr. Taylor explains himself.

5597. You imagine that pressures will, under all circumstances, happen to particular classes of produce?—They will; but I do not think that there was anything like our recent commercial distress; with regard to the quantity of corn imported in different years, there was in the years 1800 and 1801 a remarkably great importation of corn.

Under a right money system, scarcity much mitigated.

5598. Was there a great degree of commercial distress accompanying that importation?—There was great general distress; the corn of this country was of bad quality as well as deficient in quantity.

5599. The increased price of bread, from whatever source, must always lead to the distress of classes; but was there a general commercial distress and panic in 1800 and 1801?—There was not a general commercial distress; benevolent companies were formed for the sale of flour, meal and bread, at reasonable rates, which had the sanction of Parliament, in order to mitigate the general calamity; and there was a great deal of sickness in consequence of the bad quality of the corn of this country.

5531. You do not mean to deny that there is a serious calamity in the losses that we sustained by the failure of the potato crop and the failure of the harvest; but you mean to say that the natural loss is greatly aggravated by our artificial currency?—It is greatly aggravated by being brought, as it were, to a point to bear with all its pressure upon the quantity of gold in the country. If it were spread over a larger surface, and were allowed to act upon all the productions of this country, it would be comparatively unfelt; and I do not think that there would be any great distress with any class of the community, because the working classes would be able, by means of increased wages, to get that corn when it was brought from the Continent at a higher price than it had before been sold at here.

On the point of “convertibility,” we have the following from Mr. Taylor.

5559. Supposing the country insists upon some kind of convertibility into the precious metals, what kind of convertibility would

Convertibility.

you recommend? — Convertibility at the market prices of those precious metals.

5560. Do you remember any occasion on which the Bank of England proposed to pay its paper at the market price of gold? — Yes.

5561. What occasion was that? — The Bank of England proposed in 1819 to take up its notes in gold at the market price till the time came when the country could bear a return to the strict Mint price; but that notion was scouted; and I think a very erroneous view was taken of it by Mr. Ricardo. He said, “there was nothing to prevent the Bank from declaring at one time that gold was 4*l.* per ounce, and at another that it was 10*l.* per ounce;” I think I have seen that opinion repeated recently. It appears to me that he must have entirely mistaken the principle upon which the Bank would act; it could never be the interest of the Bank to depreciate its own capital; if it lent out its capital at the rate of 4*l.* an ounce, it must be very foolish management indeed to allow the parties to whom it had lent, to bring back paper-money, in which gold had gradually risen to the price of 10*l.* an ounce, to pay off loans that they had received at the rate of 4*l.* an ounce; for, after all, it is the quantity of gold lent which they ought to look to; the nominal amount of the paper is not to be regarded in comparison; it would be a great gain to the Bank of England, and to every Bank, to receive its notes back again enhanced in value, but it is a decided loss to receive its notes in return degraded in value.

Remedy.

The remedy suggested by Mr. Taylor is given in the following:—

5536. Do you wish our circulation to consist of paper not convertible? — I could wish our circulation to consist of a certain quantity of legal tender paper-money, issued by the authority of the Legislature, the quantity to be determined by the Legislature from year to year, with reference to the amount of taxation.

5537. Would there not be danger under that system of coming to the state of the assignats in France? — None whatever, if we took the most ordinary care to prevent it, or unless we were so mad as to rush upon our ruin contrary to the dictates of our own good sense; for it could never be to the interest of any Government to depreciate the value of its paper. Mr. Huskisson complained, in his pamphlet on Depreciation, that during the war there was a depreciation of the currency, and that the Government paid so much the more for all contracts; but if prices were not raised higher than the taxes required them to be increased, I do not think that he had any right to make that a ground of complaint, because I do not see why the Government should buy its commodities from the people at a less price than that which the people pay for their commodities to each other.

5538. You are not in favour of depreciated paper? — I am

not in favour of a depreciated paper; but I do not call that a depreciated paper of which the value is a pound in English transactions, though it may be of less value than the gold pound in foreign transactions.

5542. What would be your standard of value?—The standard of value, if I may use the term properly as contradistinguished from the measure of value, is in this country, and in every country, a certain quantity of that article which constitutes the principal support of man's life, which is in this country wheat; this is an old definition to be found in Sir William Petty's writings.

5543. And admitted by most writers?—By some of the best authorities.

5544. What would be the measure of value?—The measure of value is most conveniently found in coins of gold or silver, either or both of which, with copper corresponding with them, for smaller payments, answer the purpose of a measure of value perfectly well.

5545. Your representative of value would be paper?—Yes; suppose the country were taxed to the extent of 50,000,000*l.* a year, and it was resolved that there should be an issue of paper-money to that amount, the Government owing 50,000,000*l.*; in the course of the first year it pays away that sum by the issue of so much paper-money. All the time that it is paying away this 50,000,000*l.* of paper-money, it is receiving other money from the proceeds of the taxes, the same that it now receives, but this money it has borrowed; part of it is owing to the Bank; a good deal of it is raised upon Exchequer bills; the Government has, in fact, no money of its own; that money, therefore, which is coming in during the year in which the other money is going out, being due to other people, ought to be paid back to those from whom it has been borrowed; the Government then would no longer be under the obligation of paying interest for the money in which it received its taxes, for it would be as regards that paper-money which it had issued to the amount of the annual taxation at no expense, save that which attended its creation. When that money was brought back again, the whole transaction would be as perfect as it could be, even if gold had been the instrument made use of in the process.

5602. How will your plan of legal tender paper-money operate so as to allow the notes to be brought into circulation?—The Government, if it were to issue to the amount of the annual taxation, through the medium of its own payments, would effect that easily enough; whatever might be the place of issue, the Treasury would draw checks or issue warrants for the payment of certain sums at that establishment, which sums, consisting principally of payments of dividends to the public creditors, and monies claimable for stores and services by every class, would be paid in the legal tender money; so in the course of one year the whole of the



money would have gone out, and when any portion of it had been out one year, that portion would come in again for taxes exactly as another year's payments began to be entered upon.

5616. In testing the value of paper in commodities or gold, would you not say that there was a depreciation?—In testing its value in commodities, I should say that there was what is called depreciation; but I think that this is a very improper term to use, because it conveys a wrong impression. If you add a third element to the value of commodities, whereas previously you included only two elements in the cost, the raw material and the labour, if you add to those two elements taxation as a third, with the understanding that the parties who pay the taxation are to charge it again on the commodities which they produce, you have no right to expect that such commodities will not increase in price; and if they do increase, it is not right to say that the paper-money which represents such is depreciated, as tested by commodities.

5617. They require more money with which they may be measured?—Commodities require a higher price to represent them when taxes are added to the raw material and labour than they would require if the raw material and labour were alone to be considered.

5648. Is there no fear that without some such check as the foreign exchanges are now found to give, our producers would charge too high a price for their goods to English consumers?—That is a very important question; it is, I think, the main question on this great subject. If we had no check to rely upon against an excessive rise of prices, in the event of our having recourse to a legal tender paper, I should be inclined to agree with Mr. Jones Lloyd, that whatever might be the inconvenience, we must submit to place ourselves under the control of an absolute gold system; but I contend that there is no need whatever to be apprehensive of any such result; for why is it that men get the prices they do now? Every producer asks the highest prices he can obtain in the market for his commodities; why does he not get what he asks? It is because another man is willing to produce and sell the same commodities for less money; and the competition among men, who are all eager to sell, with the caution exercised among buyers, who are equally unwilling to give too much, is the cause why, under our present system of currency, a proper price is at last obtained for every article.

5649. Would you have no check interposed?—The only check that could be required would be the same check that we have now, the check arising from the internal competition of people of the same country producing the same commodity, and willing to sell it for the lowest price against each other, with the check which the foreigner would bring to bear upon us by imported goods. The check of competition would be sufficient even if it were only the competition between people of our own country, but it is still more

severe if we allow foreigners to enter into competition with our own producers.

I might proceed further, and show by Mr. Taylor's evidence the excessive and fraudulent change effected in the "ancient" standard of value of this country, but that this point has been so well stated in the resolutions moved in the Committee by Mr. Spooner. I will content myself, therefore, with referring to that gentleman's comparison between the operation of the existing system, involving a fixed price of gold, and that which Mr. Pitt introduced in 1797, and by which he enabled this country to pass through the most expensive war the world has ever known.

5520. Will you state your view as to the effect of that system of the carrying out of the currency upon the industrious and working classes?—In consequence of its being rendered necessary that the paper currency of this country should always be convertible into gold upon demand, whenever we have, from whatever cause, a general rise of prices, immediately that gold has a tendency to go away, it is not allowed to rise in price with the paper money; but corn, lead, tin, iron, and all other commodities may rise, and the foreigner therefore naturally takes that which he knows is the cheapest commodity he can take, and when he has taken it we are obliged to go cap in hand to him, and beg him to take our goods at almost any sacrifice, in order that he may let us have that gold again, without which the Bank cannot continue to give its customary accommodation to the public.

5521. Would you recommend that the gold, into which the Bank-note is convertible, should be allowed to find its own value in the market?—I would certainly recommend that it should be allowed to find its own value; but I do not think that that would be a difference that would at all disturb any of the relations of price that are now prevailing in this country, or any power of the tenant to pay his landlord, or inflict any injury as regards the position of the debtor to the creditor, or of the creditor to the debtor. I think the effect of it would be the effect which was felt for a long time during the war; that there would be great freedom in the use of money, and great easiness in transactions, without any unjust rise of prices, or any rise that would be considered injurious to any part of the community.

5522. If gold was allowed to find its own value in the market, under an adverse exchange, do you think the foreign demand for it would raise its price?—If there was an adverse exchange, the

foreigner could not bring his English bill to this country, and get for it what he now can, 100*l.*; he would get something less for it.

5523. In that case, is it your opinion that the price of gold might rise till it became more profitable for foreigners to take our goods than to take gold?—That is my opinion.

5524. Under those circumstances, little or no fall in the price of our goods need take place to induce foreigners to take our goods?—The foreigner would not object to take our goods at higher prices, if he sold his goods at higher prices.

5525. Under the present system, enabling the foreigner to take gold at a fixed price in foreign payment, can the Bank protect itself against a drain in any other way than by curtailing discounts, throwing down prices and disemploying labour?—It cannot.

5526. Under the present system, the foreigner is enabled to take his payment, not by a rise of price of gold, but by a ruinous fall in the price of our goods?—That is so.

Lords' Report.

With respect to the Evidence taken before the Lords' Committee, all the witnesses, excepting the same interested few, condemn the Act of 1844. The Report differs widely in character from that of the Commons, being an able and candid, though rather long, summary of the evidence. Yet, strange to say, it has a character of its own, tending much to impair its usefulness, which is this, that, having pointed out the vast preponderance of evidence condemnatory of the Act of 1844, it actually recommends that it should be retained on the Statute Book, and that some power should be given to somebody to relax it when they may think fit! In other words, that whenever circumstances admitted of its coming into operation, it should be either a nonentity or a nuisance, according to the whim or interest of the parties thus empowered to relax it!

### *Sir R. Peel's Speech.*

Not a reply  
to Mr.  
Spooner.

Q. Have you read the speech of Sir Robert Peel, on the 22d of August, 1848, in defence of the present monetary system, in answer to Mr. Spooner, and with reference to Mr. Salt?

A. I have read the speech, but find neither any an-



swer to Mr. Spooner, nor to any other of his opponents, upon the question. His flippant attack upon Mr. Salt has been well answered by Mr. Salt himself, in his letter of the 28th of August, 1848 (Appendix F.), in which, by a simple statement of facts in high contrast with the assumptions of the Right Hon. Baronet, he points out the mischievous effects that have resulted under his system.

His assumption, that Mr. Spooner's coincidence in opinion with the late Mr. Horner upon one point was the same as his agreement with all his opinions, enabled him to raise a laugh among an auditory confessedly and wilfully ignorant of the subject.

Mr. Spooner's reference to Mr. Horner misrepresented.

But, after all, it is a speech of considerable importance, as a confession of the objects of the Bullionists and their leader, and of the nature and extent of their feelings towards the industrious classes.

Objects of the Bullionists avowed.

The Bullionist system, then, as explained by Sir Robert Peel, in August, 1848, is as follows :—

1. The "Convertibility" of the Bank of England note (which he explains to mean the compulsory substitution of gold in its place at a fixed price whenever demanded) is "paramount;" that is, that every other consideration should give way to it.—This is not a hasty expression. Mr. Spooner, taking a very moderate view of the case, called his attention to the fact that, within the last year 250,000,000*l.* of property had been sacrificed, the trading and labouring interests generally ruined, and distress and misery spread throughout the empire, in order to bring back the 9,000,000*l.* of gold necessary to keep up the pretence of this "convertibility." Still Sir Robert not only laughs at this destruction, and considers it a trifle compared to his hobby, but he actually exults and rejoices in it, coolly telling the ruined capitalists and starving millions that this is the great object of his system, and that, as far as he is concerned, they never shall have any relief until they are, *at least*, in as bad a condition as in October 1847.

Convertibility persisted in, however costly.

2. Notwithstanding the notorious historical facts, that distress has invariably attended the operation of the Bul-

Relaxation refused, though ad-

mitted to  
effect relief.

lionist system, and prosperity as invariably attended its relaxation, Sir Robert Peel is hostile to such relaxations, and still declares his determination that no relaxation (which he admits to be a relief) shall be allowed, with his consent, until the country is in as bad a condition as it was in October 1847; *i. e.* until 250,000,000*l.* of property is sacrificed in one year, thousands of capitalists ruined or impoverished, millions of the labouring classes reduced to half work, and distress and misery spread throughout the empire. This is a direct confession, by the only party who has ever denied it, not only that the commercial distress was created, and is kept alive, by the pressure of the Acts of 1819 and 1844, but that it was intended by their framers that they should have that effect.

Fallacy  
about the  
limit of a  
currency.

3. Sir Robert confesses himself of opinion that, without a limit placed upon the quantity of notes to be issued, they would increase indefinitely, and that prices would rise in proportion to their abundance; like a child who fancies, because he is growing taller, that he will continue to do so as long as he lives, and judges of the ages of his acquaintance by their height.—This is a degree of ignorance amounting to stupidity, in one who has paid any attention to the subject.

As well might he fancy that water poured into one end of a trough would form a fountain at the other, and that the more water he poured in, the higher the fountain would rise. All the Anti-bullionists want, is to remove the partition which prevents one end of the vessel from filling to the same level as the other.

Arguments  
of Anti-  
bullionists  
misrepre-  
sented.

4. Feeling the impossibility of answering the arguments of the Anti-bullionists, he adopts the usual rhetorical device of attributing to them certain opinions and objects fitted to ready-made answers he has got up, like Tom Thumb, who, according to Lord Grizzle, “made the giants first, and then he slew them.”

Alleged  
over-trad-  
ing.

5. He attributes to them, as a crime, that they wish to encourage trading, and the employment of the people; and he opposes them on this very account, avowing that

his system is to *discourage trade*, and to deprive the capitalist of the only means by which he can employ labour.

6. He accuses them of expecting that prices will rise indefinitely, in proportion to what is called the issue of Bank notes ; and confesses that he himself believes that would be the result.—They are not such simpletons. According to this theory (an exclusive invention of the Bullionists), waste paper would at length become the currency of the country. Why should it happen now, and here, upon the destruction of the present monopoly, when it has never occurred in any country or at any time before ? and when it is at variance with all experience ?

Fallacy that prices would rise indefinitely under enlarged currency.

Sir Robert Peel thinks, or wishes to make others think,

7. That “acres or property” are not a safe foundation for a circulating medium ! not even silver ! Nothing but gold, which he admits to be inadequate in quantity.

Property said not to be a fit basis of currency.

8. That an “issue” of paper upon such property (*ad libitum*, as he calls it,) would increase prices in proportion to its quantity.

9. That bankers issue their notes, promising to pay value, without taking any value in return, and that the issue is entirely at their pleasure, independently of the requirements of trade.

Bankers' issues not without value received.

10. That two of the principal objects of the Anti-bullionists' system, viz. that “prices should be remunerating,” and that “every industrious man should have full employment,” are not merely unimportant, but are actually fit subjects of derision.

Derides remunerating prices.

11. That the character of the present House of Commons is so bad, that the country has no confidence in them ; and would not think their promise, to consider this important question, of any value.

Sir Robert's estimate of the House of Commons.

12. “That the restrictive clauses of that Act (1844) prevented us from adding, in April this year, to commercial pressure the dangers of political panic. (*Hear ! hear !*)”

Panic, commercial and political.

—He and his hearers must be the only men capable of reading a newspaper who do not know, that in the month of April last such was the political panic, that scarcely any thing else was talked about for weeks ; shops were shut



up, and a greater military force was collected in the Metropolis than had ever been known before; and it was only by this precaution that a revolutionary outbreak was prevented!

Chancellor  
of the Ex-  
chequer's  
Report.

13. He "perfectly concurs in the first Report of the House of Commons," which, as the Chancellor of the Exchequer admits, expresses the object of the packed majority of the Committee, in opposition to the evidence taken before them.

Proportion  
between  
wealth and  
currency re-  
pudiated.

14. That limiting the issue of notes to the representation of gold alone, of all the wealth with which the country abounds, is no great severity of *restriction*.

Inconsist-  
ency of cur-  
rency with  
his avowed  
principles.

15. That the currency permitted by the Acts of 1844 and 1845 (of which he boasts that 33,000,000*l.* is issued "without the deposit of a single ounce of gold"), is founded upon a gold basis.

Actual pro-  
portion of  
gold to  
paper.

16. That all the gold that is held in reserve, to secure the "convertibility" of 48,000,000*l.* of notes, is 15,000,000*l.*!

Restriction  
injurious.

Mr. Salt.

17. That the restrictions of the Acts of 1819 and 1844 *cannot* prove injurious.—I recommend him to read again the plain statement of historical facts in Mr. Salt's Letter of August 28th, showing that distress has invariably attended their application: he says he has read the Lords' Report. But Sir Robert does not consider ruin, starvation, and distress among the producing classes (provided the money interest escape) as injurious, but beneficial.

Relaxation.

18. That, in particular circumstances, we might "safely sanction relaxation."

Panic.

19. That "the attempt to provide against panic by legislation would only involve Parliament in difficulty and counteract its views."—Well illustrated by the fact that one of the vaunted objects and promised results of the legislation of 1844 was the prevention of panics!

Sir Robert  
Peel and  
Directors of  
the Bank at  
variance.

20. That the examination of the Governor and Deputy-Governor of the Bank of England before the Committee, "shows that they might be entrusted with a wide discretion;" and that those functionaries possess a "full acquaintance with the subject!"—These functionaries reject all discretion; declare their desire to adhere literally to

the Acts of Parliament, as they stand ; and do not know the difference between money and capital !

21. That “trade is carried on with capital, not with paper money, other than as paper money represents capital.”—Why, then, confine the use of paper to that only which represents gold, a comparatively insignificant item in the capital of the country ?

Money con-  
founded  
with capital.

22. That the object of the Anti-bullionists in wishing to free the currency of the country from the narrow trammels of gold, is to establish a paper currency founded upon credit, and that they are wrong in doing so ; at the same time that he thinks, or professes to think, that he himself is right in basing the fundamental 33,000,000*l.* of his currency entirely upon credit and upon debt.—This is a misrepresentation of the objects of the Anti-bullionists, who desire to have a wider and safer basis for the currency than the present. Sir Robert, with an ingenuity worthy of his namesake, Robert Houden, passes his argument from his own nostrum to credit, without letting you see how it gets there ; leaving his admiring auditors to suppose that there is no wisdom but in his brain, and that there is no rest for the sole of the foot between Bullionism and “unlimited credit !”

Sir Robert  
practises  
what he  
chooses to  
condemn.

23. That pressure, to the extent at least to which it was felt in 1847, is *desirable* for the purpose of securing the “convertibility” aimed at by the Acts of 1819 and 1844, *i. e.* the solvency of the Bank. Now that this is openly avowed, let the country judge which they like best.

Monetary  
pressure  
said to be  
desirable.

24. That, unless this convertibility of paper into gold (*i. e.* the Bullionist system) were preserved, “all classes will suffer ;” not only all those concerned in commerce and manufactures, but those chiefly who depend for their daily subsistence on the wages of labour.

Far-fetched  
perversion.

25. That those who live upon weekly wages are the most injured by a tampering with the currency.—We have recently seen the lamentable effects upon the commercial classes of tampering with the currency in 1819 and 1844. It follows that its injury to the industrious classes must have been still more serious, and that this was in contemplation when the Acts were passed.

Tampering  
with the  
currency in  
1819 and  
1844.

Assumption.

26. That if the Bullionist theory were abolished, the currency would be depreciated !

Pressure  
essential to  
Sir R. Peel's  
system.

27. That under his system, in times of panic, pressure, and compelled pressure, is the only remedy against increased disasters.

Avowals of  
Sir R. Peel.

Here we have the minimum amount of suffering required by Sir Robert Peel before he will descend from his hobby for a few minutes. We have a confession of the greatest ignorance upon several points of great importance. We have the misrepresentation of the objects of his opponents. We have contradictory arguments used to prove the same conclusion. We have unsupported assertions made. We have confession of the objects and effects of the Acts of 1819 and 1844. And all these put together to support a peculiar theory. But we have not one single fact referred to in support of that system, under which it is confessed on all hands that commercial distress and panic have become regular intermittents, countless millions of property have been sacrificed, and thousands upon thousands of the productive classes have been ruined.

Present  
state of the  
question  
according to  
Sir Robert's  
"last."

The great advantage, therefore, of this speech is, that it narrows the question into a simplicity of form in which even Gentlemen of the House of Commons may think their capacities equal to its comprehension. The question has become no longer one of theory, but of plain fact : it is no longer, what has caused the frequent recurrence of commercial distress ? or what is the operation of the Acts of 1819 and 1844 in this respect ? These are confessed ; but whether the country is disposed any longer to pay that price for Sir Robert's whistle ? Not, what is a pound ? but whether the old proverb be true, that "you may buy gold too dear." Whether a system which has enormously enriched Sir Robert Peel, Mr. Jones Lloyd, and a few others, at the frightful expense to the rest of the empire which we have lately witnessed, shall continue to be endured ? Whether those who receive salaries and annuities, from her Majesty downwards, will be much longer able to maintain them against an unemployed and starving population ?



*Q.* But is it not the case that a currency convertible into gold as at present is better for the labouring classes ; and is it not true that a currency that would allow prices to rise would militate against the interests of that class ?

*A.* The “convertibility” of the Bank-note is of no use to the labouring classes. Silver is a legal tender to forty shillings. The average of wages is under twenty shillings. Wages, therefore, are principally paid in silver ; and although, in our present coinage, the silver is 15 per cent. lower in value than the gold, yet no inconvenience has resulted.

What currency best for the labouring classes.

You seem to forget that all commodities are but condensed labour. A rise in the price of commodities, therefore, implies increased remuneration for labour ; *i. e.* either higher wages or more constant employment, which amount to the same thing. Any increased price of commodities is met by the increased means of procuring them.

*Q.* [By a Member.] But would not an advance on credit create much unsound business, and lead, when the day of reckoning came, to a reaction that would be very mischievous in its effects ?

Misstatement of views of the Anti-bullionists.

*A.* That question evidently arises from reading a certain conceited newspaper, which has long been endeavouring to mislead the public upon this important subject. If the parties on whose credit it was issued were able to fulfil their engagements, no mischief would arise. But it should be remembered that it is not the Anti-bullionists who desire any “advance on credit,” but the Bullionists themselves, who have founded their currency upon 14,000,000*l.* of credit of the worst kind, *viz.* *Debt* ! Besides this, their system, by withholding from the community the use of a sound and legitimate currency, the restoration of which is advocated by the Anti-bullionists, force them to the use of a great deal of credit-paper in its most objectionable and unsound shape, *viz.* the bills of exchange of private individuals. It is the fostering nurse of “Pig-upon-baconism.” The Bullionists declare their readiness to sacrifice the wealth, peace, and security of the

country to the maintenance of their monopoly in their insufficient, insecure, and variable currency.

What the Anti-bullionists desire, on the contrary, is to establish a sound and secure currency, which shall be at all times equal to the requirements of capital and industry, founded upon the broad and immovable basis of property, not upon credit, or debt, or even upon the narrow, uncertain, and fluctuating basis of gold.

To suppose that, if the limitation were removed, the currency would increase to an inconvenient extent, is not only contrary to all experience, but to common sense. Limitation of the currency is quite a modern invention in the world. There never was a positive limitation of its amount until the act of 1844; and the state of the country ever since it came into operation is surely enough to convince the blindest follower of the Bullionists that he has been deceived.

The effect of freedom would be, not so much to increase the quantity of the currency, as to extend the activity of its circulation; not so much to raise prices as to increase production, by giving employment to those who are now unemployed; and to furnish that reward for labour and industry, without the encouragement of which they must languish, and production, commerce, and wealth must decline instead of advancing.

Upon the late removal of restraint by the Government letter of October, 1847, the amount of currency was diminished—not increased. If at any time after a complete removal it should increase, it can only be because some employment has called it forth. If prices do rise, it will be only to that extent which is necessary to secure a regular supply of labour and production, a result as beneficial to the consumer as to the producer. Competition will effectually prevent their rising any higher. The excessive profits (so ruinous to all other classes) now made by the bullion holders and money dealers can never be obtained by the agriculturist, manufacturer, or merchant, until you confer upon them a monopoly as close as that which is now conferred upon the usurer.

Q. How do you reconcile your suggested currency alteration with the rights of the national creditor?

A. It is perfectly in accordance with them, and requires no reconciling. Practically, it would be beneficial to him. Although he undoubtedly obtained an immense bonus by the Act of 1819, he has not been entirely free from drawbacks, such as reduction of interest, fluctuations in the value of his property, and property tax. From the last, at all events, and its prospective increase, he would be freed by the change; not to mention the sponge, which will be the inevitable consequence of an adherence to the Bullionist system in case the country should be involved in an expensive war. These and the millions the country would save by allowing gold to find its price in the market like every thing else, would amply repay the public creditor for any loss he is likely to suffer, and defend him from any alarming rise in prices.

What currency best for the fund-owner.

A great mistake prevails as to the *rights* of the public creditor. If he ever received a promise that he should be paid 100*l.* worth of gold for the 55*l.* of paper which he lent, it was not "on demand," but when the object for which it was borrowed was accomplished, viz. when the expences of the war were paid. Had Mr. Pitt's system been persevered in, it would before this time have been accomplished. Thanks to Sir Robert Peel, who put the cart before the horse, we have still nearly 800,000,000*l.* of national debt.

Q. Have you any further remarks to make?

A. I hope that it has been sufficiently proved that the restriction of our existing monetary system, effected by the Acts of 1819 and 1844, has been the cause of the late and present commercial distress; and that such distress did not arise directly either from the failure of the potato crop, the prices of cotton, railway enterprise, or over-trading.

Summary.

I trust, too, it will be manifest that a circulating medium ought to be the representative of value, and not value itself; that it should be sufficient at the same time that it is sound; that all restriction of currency falls inju-



riously and unjustly on the producing classes, depressing the value and extent of labour ; that it has been productive of every panic that has occurred since 1819 ; that it is an evil in present and daily operation ; that it will continue to be productive of commercial distress, keeping hundreds of thousands of industrious men out of employ ; that it is fallacious to say that it secures convertibility of the note, but that, in fact, it is in proof that convertibility at the fixed price of gold, in the language of Sir James Graham, speaking of the Act of 1819, is “a delusion and a fraud.”

I hope it will be manifest that the fallacies advanced in support of the existing system, one after the other, have been exposed and exploded, while its advocates, having no available argument left, are driven to evade the real question, and to talk about some assumed views of their opponents. I hope, too, it will appear that the monetary system now in action has produced much of that popular disquietude that has led to large and unexpected organic changes, that, if obstinately persisted in, it threatens to produce a still louder call in the same direction, and will infallibly and of necessity accelerate the most determined and searching scrutiny into all forms of national outgoings. The royal expenditure has already been marked out as the next object of attack by a powerful body in the second commercial city of the kingdom, where the whole trading interests are in a state of most fearful prostration.

Elements of  
a sound cur-  
rency al-  
ready exist.

*Q.* It must be admitted that there is much reason in the arguments you have used in favour of your views ; but do you think it likely that any minister will be found bold enough to undertake the responsibility of recommending a return to a Paper Currency ?

*A.* It is not a *return* that is wanted. You seem to forget that we have now got a *symbolic* or conventional representative of value, made of paper, issued by the Government in the shape of Exchequer Bills, and have had it in wood or paper for centuries. By the existing

laws, however, the *monopoly* of *using* it is granted to a few favoured money-dealers, and the consequence is that the public has been paying 10, 15, 20, and even 30 per cent. for its use. Nay, productive industry cannot *now* always obtain it at any price, and capital is lying idle in great masses, while the labouring classes are driven for want of employment to plotting, sedition, and rebellion.

All that is wanted is to give this paper a circulation, by issuing it in payment of dividends and other outgoings of Government, at once to the public, without the intervention of any usurers to appropriate it to their own gain. It is a circulation founded upon the responsibility of the nation at large, *i. e.* upon the whole property of the country, and its use belongs of right to all who possess that property.

It requires no courage to correct this enormous injustice: — only a moderate allowance of brains and honesty.

Q. [by a Member.] Your explanations have shown me several errors which I had previously entertained. I now see the childishness of expecting that foreigners will take our manufactures at remunerating prices, while we offer them gold at a lower price. I am sensible of the folly of pretending that all our commercial transactions are limited to the quantity of gold lying idle in the Bank, when we know that if that were the case we should not have one tenth of the commerce we now have. I am now convinced of the fraud that has been practised upon the country, by telling them that the present system is a return to the ancient monetary system of the country. I am convinced also of the absurdity of the theory that gold (itself only valuable for the purposes of exchange) is the only kind of wealth which ought to be represented by currency; while the vast accumulations of our industry are forced to buy the same privilege of the bullion holders at the rate of 10, 15, and 20 per cent. I am no longer blind to the fact that the money cheapness which the public are at present taught to look to as the greatest national blessing, is produced, not by the abundance of necessaries and comforts, but by the fraudulent means of making

Errors of  
present cur-  
rency ad-  
mitted.

money scarce, by which no good can arise to any body but the usurers.

Converti-  
bility con-  
founded  
with ex-  
change-  
ability.

I should therefore be ready to admit the entire correctness of your views, if you could satisfy the Committee that the *convertibility of the note* would not be endangered by it. How do you provide for this object, which is considered of paramount importance?

*A.* To have a right view of this subject, it is necessary to distinguish between the two words *convertible* and *exchangeable*. When one article is *converted* into another, the former ceases to exist; when it is *exchanged* for another, both continue to exist. It is the artful use of these two inconsistent words, as if they were synonymous, which has led the unwary to fall into the slang of using the word *convertibility*, when they mean *exchangeability*, or perhaps really responsibility, *i. e.* the certainty of the note being exchangeable for the value it professes to represent.

Bullionism.

The present (*or Bullionist*) money system labours for convertibility in order to “make money scarce,” and offers a high bribe for the *conversion* of the notes of which the currency consists into gold, by fixing a low price upon the latter; and when this is done, they cease to exist as currency. This exclusive conversion into gold of course lessens their exchangeability with all other commodities; while it in no way strengthens their responsibility.

Anti-  
bullionism.

On the contrary, the free currency (*or Anti-bullionist*) system neither encourages nor admits the destruction of any portion of the currency by its *conversion* into something else:—it gives the greatest freedom to its *exchange*, not only for gold, but for all other commodities—it secures its *responsibility* by basing it upon property of the most secure and immoveable kind, and not entirely upon gold which is the most moveable, and most frequently moved of all property.—It suits the currency to the wants of commerce, not commerce, which is always varying, to a fixed and whimsical amount of currency.

The witness withdrew.



# APPENDIX.

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## APPENDIX A.

LETTER FROM THE LATE SIR ROBERT PEEL DURING THE  
PANIC OF 1826.

*To the Members of both Houses of Parliament.*

MY LORDS AND GENTLEMEN,

WILL you permit an old man to address you on the subject of our currency? I sat in Parliament thirty years, during which time I frequently heard this important question discussed by Mr. Pitt, Mr. Fox, and other distinguished characters. On the passing of the Bank Restriction Act I was entrusted by the merchants and citizens of London to present their petition against the measure. Though my opinions were embodied in their case, my best endeavours to serve them were not successful. Having been long and extensively engaged in commercial dealings, I often witnessed a national embarrassment arising from a defective and impure currency, which resembled the present stagnation of trade; and I lament to observe that suffering and experience have failed in this instance of producing their usual good effects. In the enlarged scale of business carried on by this country, embracing a great variety of pursuits, a reliance on a metallic circulation ever did, and *ever will*, fail us. Gold, though in itself massy, often disappears in consequence of war or speculation—nay, the breath of rumour itself is sufficient to disperse it. Our domestic concerns are interrupted, and confidence lost for want of an ample and approved medium of traffic.

I am no friend to an unrestrained issue of paper money, and saw with concern, in the absence of a due quantity of specie, notes admitted into circulation, issued by persons of respectability possessing property, but evidently unable to meet a sudden and large demand upon them. More than two years ago I mentioned to a friend high in his Majesty's councils my fears of the mischiefs likely to ensue if this practice were not discontinued, accompanied with a suggestion to confine future issues of paper money, or

tokens, to the Bank of England *and other competent bodies of men*, who would give security in land, the public funds, canals, buildings, or other tangible property, amounting at least to half the value of their bills or notes in circulation. My proposition was not favoured with any notice, yet had it been adopted, I am of opinion that most of the panic and distress now so severely felt in the nation would have been avoided. If such an improvement in the banking system could be made available, gold would become less requisite, and the country would be supplied with a stationary medium of exchange originating with ourselves.

Whilst directing the energies of the state in war, Mr. Pitt evinced equal ability in discovering, improving, and applying our internal resources. The war drained the country of its specie, and our enemies entertained sanguine hopes that our ruin would sooner be effected by want of pecuniary means, than the want of courage, discipline, and conduct in our armies. Mr. Pitt was more than a match for our contingencies. With the aid of the Bank of England and other opulent houses, the energies of Great Britain were maintained in full activity, and *the importance and utility of paper money more clearly established*. Ingenious machines were introduced into our manufactures, and the encouragement and protection afforded them greatly increased the demand for our goods both at home and abroad. Our superiority at sea gained our merchants easy access to foreign markets, and the wealth derived from trade and commerce (though to some persons it may appear paradoxical) more than covered the whole expenses of the war; when the minister had recourse to loans, they were speedily raised by British capitalists, and the increase of the public debt was due from ourselves to ourselves, and resolved itself into a family account without impairing the national property. Mr. Pitt, having succeeded in securing peace and independence to the empire, whilst devoting his sole attention to the affairs of the public, suffered his own to be very much embarrassed. Many of his friends wished to extricate him from his difficulties, and requested me to learn from Mr. Rose in what way we could best relieve him. His reply was, "Mr. Pitt is the most unaccountable of men, and would prefer living in a garret to being indebted to the bounty of his friends." Though disappointed, the opinion I had long entertained of this able minister's high character was not diminished.

The present panic and distress in the country have been declared by high authority to proceed from "overtrading" and "wild speculation." Infant nations and establishments are liable to miscarry from want of experience and solidity. Trading and speculation being natives of this island, and parents of our wealth and independence, are surely exempt from such an imputation. The same authority has declared that "gold and paper money are incompatible with each other, and cannot exist together." The population and trade of the empire having much increased, a proportionate increase in the medium of circulation is called for, and,

when gold is found insufficient, recourse must be had to paper, which, if improved, on the principle already suggested, the two substances would be found in the same market without disunion.

Anxious to see our situation ameliorated, I trust the currency may be mended without changing or impairing the national character; which measure, if resorted to, would resemble the policy of diverting from its course a powerful river that has long given felicity and happiness to a large district, merely because from excessive rains it had sometimes exceeded its natural limits, and produced partial injury.

I am, my Lords and Gentlemen,

Your faithful and obedient Servant,

ROBERT PEEL.

Drayton Manor, March 8. 1826.

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## APPENDIX B.

### RESOLUTIONS PROPOSED BY MR. CAYLEY RELATING TO ENGLAND.

1. THAT it has been shown to the satisfaction of the Committee that the Bank Charter Act of 1844, if not the proximate cause of the late and still existing commercial distress, so increased its intensity as (more especially in the last autumn) to convert the pressure into a panic; to the paralysing consequences of which the mercantile public, solvent and insolvent, were alike exposed, until relieved by the Treasury letter of October 25.; which operated instantaneously in mitigating its disastrous effects.

2. That scarcity of food, and its high price (although doubtless productive of much individual privation, especially under severe banking restrictions, which lead at once to the disemployment of labour,) do not necessarily produce a monetary crisis, as is proved by the case of 1800,—the year of greatest scarcity in the present century, when all classes were reduced to a very diminished consumption of bread-corn, but when no monetary pressure occurred; notwithstanding that the average price of wheat in that year was 113s. a quarter, 43s. higher than the average price of 1847, which did not exceed 70s. a quarter. In the first instance, owing to the absence of a simultaneous monetary pressure, the employment of labour suffered little or no interruption; while, in the latter instance, the pressure arising out of our present monetary system checked production and the employment of labour at the very moment when great losses, from natural causes, were most requisite to be supplied, and thus directly aggravated and prolonged the distress.



3. That if railways had caused the commercial distress, it could only have been by their absorbing part of the capital usually devoted to manufacturing and commercial production, which must probably have led to a diminished supply of goods, and to a rise in their price, which symptom failed to exhibit itself, notwithstanding a scanty supply of raw materials. Neither did the rate of interest increase until the Bank of England commenced its course of restriction early in 1847, to meet the drain of bullion for the payment of foreign corn. Whilst, in contradiction to the hypothesis that railway investments caused the scarcity of money in 1847, there is this remarkable fact, that the rate of interest in the discount market is at this moment only about three per cent., in spite of railway calls being as large as ever.

4. That the working classes are the heaviest sufferers from monetary derangements, in consequence of the destruction of that credit and confidence on which commercial transactions are based, and by which the employment of labour is sustained.

5. That a complete restoration of confidence and employment cannot be anticipated so long as the manufacturing, trading, and mercantile interests have reason to apprehend a repetition of the pressures and panics of 1847, which, while the Act of 1844 remains in operation, a system of free imports must tend to accelerate and multiply.

6. That the frequent alternations of prosperity and adversity which this country has experienced since the war, are mainly traceable to sudden and violent oscillations in the value of money — the necessary offspring of the monetary system we established on the return of peace, which rests the profits of trade and the wages of labour on the accidental variations in the supply of gold; the extreme severity of which system towards our trade and industry the Act of 1844, for the first time, made it impossible for the Bank of England to mitigate or evade.

7. That, therefore, if it be desirable to restore a more lasting prosperity to trade, with its concomitant blessings of better employment and greater comfort and contentment to the people, no time should be lost in repealing laws which directly contribute to monetary derangements, and in enacting others which may offer some assurance that the natural risks of capital embarked in commerce shall not be artificially increased by constant fluctuations in the value of money; and that prudent adventure and honest industry shall not be disappointed of their fair reward.

## APPENDIX C.

RESOLUTIONS PROPOSED BY MR. SPOONER RELATING TO  
ENGLAND.

1. THAT the standard of value established by the Act of 1816, and called into action in the year 1819, was not the ancient standard of value existing previous to the year 1797.

2. That the ancient standard of value was gold and silver coin jointly, protected by the heaviest penalties against reconversion into bullion, and against exportation. Silver in tale was a legal tender to an unlimited amount, with the exception of nine years, namely, from 1774 to 1783; when in tale, it was limited to 25*l.*, but in weight continued unlimited; at the same time all the coin in circulation was greatly debased, but still was legal tender in all payments.

3. That the standard brought into operation in 1819 is a single standard of gold, at 3*l.* 17*s.* 10½*d.* per ounce, convertible into bullion, and free to be exported at the will of the holder, silver being a legal tender for 40*s.* only.

4. That in 1811, in consequence of the Report of the Bullion Committee of 1810, a proposition, having for its object to obtain from Parliament the recognition of the depreciation, which had then reached an alarming point, and a pledge to return to the ancient standard of value, was negatived; the fact of depreciation being denied, the futility of pledging Parliament to return to a point whence Parliament declared there had been no departure, followed as a matter of course.

5. That had not this proposition of the Bullion Committee been negatived by the House of Commons in 1811, it is not to be supposed that the country would have submitted to the heavy taxation of the time; that settlements would have been made, or debts contracted without reference to future changes in the value of money. It is now admitted that money was depreciated 30 per cent. When the Report of the Bullion Committee was under consideration, it was strenuously asserted that no depreciation had taken place, and that there was no departure from the ancient standard; it being thus contended that there was no departure from the ancient standard, and this being affirmed by a vote of the House of Commons, the return to the standard could not then have been contemplated. The debtor interest, consequently, could not have contemplated that its burdens would be so much augmented, nor could the creditor interest have anticipated receiving payment in

a currency which should possess so great an increased exchangeable value.

6. That every attempt to carry out the gold standard has been found impracticable, as is proved by the distress occasioned by the preparation for so doing in 1816, as well as by the passing of the Bill in the year 1819, which enforced that attempt — which distress was only mitigated by the permission which was given in 1822 to continue the circulation of one and two pound notes until 1833; by a Government loan in aid of the agricultural classes; and also by permitting an operation with respect to pensions, commonly called the “Dead Weight.”

7. That the relief produced by these measures brought on the hollow prosperity of 1823, 1824, and 1825, and forced prices above the level at which gold could be retained in this country; gold was consequently exported, and the Bank was compelled again to limit the issue of its notes. The distress which had been witnessed in 1822 returned with accumulated force, and a reduction of prices to a ruinous extent took place, forcing an equally ruinous exportation of goods, which again brought back the gold.

8. That the Exchanges being thus turned in favour of this country, the Bank of England again increased its issues; but credit had received so great a shock, and the commercial and manufacturing interests were so deeply injured, that general prosperity was not restored till the year 1836, to be again followed by a panic at the end of that year, which continued till midsummer 1837; and another panic in 1839, all to be traced to the same causes, and which again produced such great distress, that in 1842 Sir Robert Peel, the Prime Minister, declared that indirect taxation had reached its limit.

9. That the Bill of 1844 was enacted for the purpose of compelling the Bank of England to regulate its issues strictly in accordance with the state of the Exchanges, and by this means to retain so large an amount of gold in its coffers as to ensure the convertibility of the notes of that establishment.

10. That the failure of the potato crop in 1846 caused a great increase in the importation of foreign grain, as well as of other produce, and these imports were further increased by the adoption of free-trade principles. In consequence of these extra imports gold was exported, and the reserve of notes in the banking department of the Bank of England was reduced from about nine millions in December 1846 to two millions and a half in April 1847. This sudden reduction compelled the Bank of England forcibly to contract its issues, in order to regain its position. On October 23., the time of the greatest pressure, the Bank held more than eight millions of bullion in its vaults, and while the whole of the commercial and manufacturing interests and the labouring population were brought into the greatest distress, amounting to an almost total cessation of business, the bullion in the vaults of the Bank was, by the Act of 1844, in this emergency, rendered perfectly



useless ; the Bank, however, was instantly relieved from its difficulties by the Government letter of the 25th of October, and the pressure instantly mitigated, but the industrial powers of the nation have been so deranged, that up to this time vast numbers of the population remain out of employment.

11. That so long as the Bill of 1819 remains in force, these alternations of prosperity and adversity will continue. That a remedy at once easy and safe would be found in the creation of a National Paper Money, to be issued in the gradual repayment of the debt due from the Government to the Bank of England ; in the payment of the dividends and Government annual expenses ;—the issue of the National Paper to be limited to the amount required for these purposes ; such paper money should be of convenient amounts for general circulation and for the payment of taxes, and should be a legal tender in all payments. This national money cannot but maintain an equable value, so long as its issue is limited in the manner above described, and so long as the Government is compelled to receive it in payment of taxes.

12. That there should also be for the purpose of foreign trade a Mint Bank, to be supported at the public expense, where bullion should be received, and for which notes, payable in bullion, should be issued ; silver should be made a legal tender to the extent of five pounds in the present coinage, and by weight to any amount.

13. That the professed object of the promoters of the Acts now in force for the regulation of the currency, has been to secure a medium of exchange, which, in its influence on the value of commodities, should be steady and uniform. That sudden and extreme fluctuations in money values have always been deplored as great evils to all classes of society, and especially to the labouring population. That the evidence which has been given before this Committee, establishes the fact that not only are the Acts now in force powerless to prevent extreme fluctuations, but that they are the fruitful source of those evils, rendering all trading and mercantile undertakings unsafe, and bringing, in a vast number of cases, total ruin upon those who contract monetary obligations in reliance upon the continued value, either of money or commodities.

14. That, in the opinion of this Committee, the immediate attention of the legislature should be directed to the adoption of such measures as will secure a monetary system adapted to the vastly increased transactions and augmented population of the United Kingdom. That the existing system has inflicted, and is at this time inflicting, great social evils upon society at large, and that it has endangered, and is still endangering, the maintenance of good order, by destroying the demand for labour, occasioning universal commercial stagnation and general panic. That in the event of the occurrence of war in any part of Europe, which, from the present state of the Continent, is much to be apprehended, such a

demand for bullion would undoubtedly arise as would lead to the derangement of all monetary affairs in England; and should this country, in consequence of the treaties to which it has been a party, be directly involved in a war, the evils of the present monetary system would become intolerable, and all those regulations which Parliament has so strenuously endeavoured to maintain would be at once swept away; and in the midst of a dissatisfied people, with the increased difficulty of maintaining peace and order, the proper and judicious settlement of an important question would be rendered, if not impossible, far more difficult than it is at present.

15. That, in the opinion of this Committee, the full and impartial consideration of the monetary policy of England, and its effects upon the trading and mercantile interests, not only in this country but also in all the dependencies of the British crown, has been improperly neglected by the Legislature. That a fair and candid discussion of this vital question has been obstructed by the leading members of successive administrations having unjustly attributed to the advocates of monetary reform designs against the interest of the public creditor and the good faith of the country. That such charges are manifestly and palpably without foundation; and that, on the contrary, it is an undoubted fact, that danger to the public creditor can only arise from an obstinate perseverance in a monetary system, so restrictive in its character, as to render it impossible to obtain such an amount of revenue as is required for the payment of the interest of the national debt, and for the support of the state. That every effort to carry out the existing system to its full extent has been followed by a serious diminution in the national revenue, by urgent demands for the reduction of taxation, and by violent dissensions amongst the different orders of society, between whom the maintenance of perfect sympathy and mutual confidence is essential for the preservation of public faith, and of the institutions of the country.

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## APPENDIX D.

### RESOLUTIONS PROPOSED BY MR. SPOONER RELATING TO SCOTLAND AND IRELAND.

1. THAT the four witnesses from Scotland, who have been examined by the Committee, ascribe the monetary derangement of 1847 primarily to the failure of the crops of potatoes and corn; and are of opinion, that although railway speculation had been productive of individual inconvenience, it had not amounted to a

national evil. These witnesses, while they differ as to the degree of monetary disturbance accruing from the Act of 1844, concur in opinion that the restrictive clauses of that Act greatly aggravated the monetary pressure.

2. That there appeared to be but one opinion among the witnesses as to the preference entertained in Scotland for the local note circulation over that of gold; and it appears that the gold coinage was only in demand by persons visiting England.

3. That the two Managers of Scotch Joint Stock Banks agree in opinion that the provision of the Act of 1845, which renders it imperative upon the Scotch Bankers to retain a certain amount of gold in their coffers, is expensive, useless, and embarrassing, and they repudiate the attempt to force the use of gold into the general circulation. They consider that the Bank of England is the best depository of gold for national purposes. The witnesses who are engaged in banking approve of the clause in the Act of 1844 which restricts the Banking Companies of Issue to their present number, while the Secretaries of the Chambers of Commerce, respectively of Edinburgh and Glasgow, under instructions from their Councils, consider that such restriction is calculated to operate injuriously in future.

4. That the four witnesses from Scotland agree in showing that the effect of the legislation of 1845 has been seriously to increase the charge of banking operations to the public, and that the expense of keeping so much gold in the coffers of the banks is the main cause of such increased charge. They show also, that whenever the circulation requires expansion, a further demand for gold is made upon the treasures of the Bank of England, the gold which is required by the Act of 1845 to be kept in Scotland being perfectly useless, as the payment of the notes, in fact, takes place in London, and not in Scotland.

5. It appears that while the rate of discount adopted by the Banking Companies of Edinburgh and Glasgow has closely followed the scale adopted by the Bank of England, there had not been a considerable withholding of the usual accommodation to the trading interests that were deemed to be in a sound state, and though discount transactions were somewhat discouraged by a rise in the rate of interest charged, yet it was not until the Autumn of 1847, that the panic arose to its height in Scotland, and that panic was immediately allayed by the appearance of the Government letter.

6. That the witnesses from Glasgow exhibit a distressing account of the present depression experienced by the manufacturers of that city, and its dependant trading district, at the present moment, and show that large numbers of the working classes have been thrown out of employment in consequence of financial difficulty. These witnesses concur in opinion, that the confidence necessary to returning prosperity cannot be established while the restrictions of the Act of 1844 remain.



7. That three gentlemen engaged in the banking business of Ireland were also examined by your Committee. While these gentlemen approve of the restrictive provision of the Act of 1844, with reference to the prohibition of new Banks of Issue, and do not object to what they have experienced of the practical operation of the legislation of 1845; two of these witnesses object to the separation of the banking and issue departments of the Bank of England, but all concur in opinion, that a power of relaxation of the Act of 1844 is essential to the safety of the Bank of England, to banking generally, and to the maintenance of commercial credit. It is apparent, however, from the testimony of these gentlemen, that the trade and commercial operations of Ireland had experienced much relief from the large supplies of money and food from England. The witnesses from Ireland, in common with those from Scotland, show that the monetary pressure in that country was not much felt until the Autumn of 1847, and they ascribe the passing away of panic entirely to the Government interference in October of that year.

8. While the desirableness of maintaining convertibility was admitted by all the witnesses, it was clearly given as their opinion that the circulating medium of a country should be in proportion to the general transactions of the country; and that any system which upon alarm of famine creating a great drain of gold requires a corresponding diminution of the paper currency, is not a sound system.

9. That, in the opinion of this Committee, the evidence of all the persons examined is to effect that the Act of 1844 greatly aggravated the commercial panic of 1847; and that the Act of 1845 caused great inconvenience and expense, was uncalled for, and is totally useless.

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## APPENDIX E.

### DRAFT REPORT PROPOSED BY MR. HUME RELATING TO SCOTLAND AND IRELAND.

THE causes and the extent of the recent commercial distress have been so different in Scotland and in Ireland, that your Committee propose to keep their statements and opinions thereon separate.

Your Committee examined four witnesses from Scotland; viz. two from Edinburgh, and two from Glasgow.

Mr. James Andrew Anderson, manager of the Union Bank in Glasgow, has been thirty years resident there.

Mr. John G. Kinnear, a merchant of long standing, and the secretary to the Chamber of Commerce.

Mr. David Bell, manager of the City of Glasgow Bank in Edinburgh, and engaged as a banker fifteen years.

Mr. John Fletcher Macfarlan, secretary to the Royal Chamber of Commerce in Edinburgh, and deputed to state their opinions to your Committee.

Before stating "how far the commercial distress in Scotland had been affected by the laws for regulating the issues of Bank-notes payable on demand," your Committee will call attention to the condition of banking in that country before 1844-5.

The system of banking there had been established for upwards of a century, and was interwoven with every transaction in that country.

Its safety and its utility had been tested, and the most unbounded confidence in its security was entertained by all ranks of the people. It had prevented the hoarding of small sums by the people, who, by means of these banks, had the advantage of having their savings taken care of, and of receiving interest on these sums as deposits, however small in amount, and for however short a time. The money that would otherwise have been locked up and useless in private hands, became the means, through the banks, of affording loans of capital, and discounts of bills, to all those who were desirous to improve the agriculture and promote the manufacture of the country.

Whilst the prudence and caution of the bankers on the one hand prevented undue speculation, the immense amount of deposits placed under their management enabled the Banks to develop the natural resources of that kingdom, and to become in that manner directly instrumental in advancing the prosperity of Scotland, and enriching its inhabitants.

Your Committee desire to call the special attention of the House to the fact, that, whilst the paid-up capital of all the Banks in Scotland did not exceed 10,000,000*l.* sterling, the amount of deposits in these Banks has been stated to amount to the sum of nearly 30,000,000*l.* sterling; and, adverting to the known prudence with which that large fund of 40,000,000*l.* sterling have been for so many years applied in affording assistance to the agricultural, manufacturing, shipping, and commercial interests, it is not to be wondered that Scotland has prospered so largely in all its relations during the last century.

This system has afforded the means of fostering the industry of Scotland in every channel, and of making the small savings of the humbler classes at once the means of enriching the richer classes, and also of affording additional means to the depositors themselves.

The people of Scotland were satisfied, and had no idea of danger to the credit or to the solvency of the Banks, knowing that the whole of the 3,000,000*l.* issue of notes (as stated in another part) were based on 10,000,000*l.* of paid-up capital, and also on the individual responsibility of the partners of Joint Stock Banks.

The Scottish nation was satisfied with their banking system, and it is much to be regretted that any legislative interference took place in 1845.

It is believed that there were few if any petitions sent to Parliament for any interference with, or restrictions upon, the banking of Scotland, whilst almost every town and county sent up petitions to Parliament against meddling in any way with their banking, and especially against the Bill of 1845.

It is difficult to understand why, when the circulation and monetary affairs of Scotland were in so good a condition, and its inhabitants perfectly satisfied with them, so much trouble should have been taken by the Government to interfere with their system of banking, and thereby to cause general discontent throughout the land.

It has been stated that "there is a difference in the system of banking in Scotland from that of London — a connexion exists between each Bank and its customers — every merchant does all his business in one Joint Stock Bank, and that Bank is expected to give him all the facilities he may properly and reasonably require to carry on his business, and in times of difficulty to carry him through;" and, therefore, the proceedings in Scotland ought not to be judged of by the banking in London.

There are parts of the banking system of Scotland that deserve particular attention. The allowance of interest for every 1*l.* or 2*l.* paid into a Bank even for one day is a strong inducement for every man to put in every note he does not immediately want, and the advantage of every depositor becomes thus the best check against an over-issue of notes; there is, besides, a general feeling that the money is safer in the Banks.

The confidence of the public in the security of the Banks in Scotland is greatly increased by the *exchange* of notes twice a week between all the Banks in Edinburgh and Glasgow, because if there were any doubts of the solvency of any of the Banks, the other Banks would immediately require payment in Exchequer bills, or gold, on the spot; there is thus the best means of knowing the solvency of the Banks, and the public confidence is thereby established.

If the operation of Exchanges is examined, it will be found that it, in fact, converts the whole of the Bank-notes twice in the week into Exchequer bills, or into gold; and if at any of these Exchanges there be an excess of notes that any one Bank has to pay, that excess is immediately paid by order on London: the same practice existed before 1844 as at present.

It is stated, that the power and resources of Banks in Scotland arise from three sources: 1*st*, from capital paid up; 2*d*, from deposits; and, 3*d*, to a small amount, from their notes in circulation.

That the *profits* of banking arise chiefly from the deposits, bor-



rowing at three, and lending at five per cent., and there is but little profit from their note issues.

That the issue of notes, however, creates responsibility and confidence in the public, and the amount of deposits increase in proportion to that confidence; and it is by the lending of them the profits are made.

And no Bank in Scotland can carry on business with success without the issue of notes, not so much from the profits arising from their circulation, as for the confidence it gives to the public, and brings deposits to the Bank.

There is an advantage by issuing notes, but a loss by issuing gold; the Act of 1844 increases the latter, and limits the former.

It has been alleged, by those who urged an interference with Banks of Issue, that there would be danger to the credit and monetary transactions of the country if Banks were allowed to issue any amount in notes they pleased; and it has been alleged that undue speculations have been also encouraged by that means, and therefore the Acts of 1844 and 1845 were passed.

The intention of the Legislature, by the Restrictive Acts of 1844 and 1845, would appear to have been two-fold; first, to prevent an over-issue of Bank-notes; and, secondly, to guard the Public against loss by their notes being dishonoured.

By the evidence, all the witnesses agree that no Bank has it in its power to issue and to keep out any number of Bank-notes beyond the wants of the trade, and that no discretion or talents of the Bankers can regulate the circulation, which in reality regulates itself; that one-pound notes will not remain out; and if an excess of notes is issued in any week, the Bank must pay for it in the next; and in this way a complete check against over-issue exists without any Act of Parliament.

Mr. Macfarlan, to support his opinion that the requirements of trade did in all cases regulate the amount of currency, whether of notes or coin, stated an instance where the fact of increased business causing increased circulation, was exemplified in the case of Railroads, as stated in a letter from Mr. Law, of Edinburgh, read to your Committee. In the years 1844, 1845 and 1846, while very extensive Railway works were going on in Scotland, the copper coin became so scarce in towns that a premium of 6*d.* per pound sterling was thankfully paid for collecting it from the retail shops, and bankers were obliged to get copper from the Mint at an expense of 8*d.* in the pound. The commercial panic of 1847 having suspended, to a great extent, the Railroad works, the copper coin has returned in plenty to Edinburgh and other towns. The writer adds, "It is evident, from these facts, that a much larger amount of coin is necessary to carry on conveniently a larger amount of business than a small. If the quantity is a fixed quantity, it will be too plentiful when there is little business going on in the country, and too scarce and expensive when there is much business: and if laws were made for the express purpose of making the coin

still more scarce, when most wanted for the convenience of trade, such laws could be productive of nothing but unprovoked and unmitigated mischief."

After stating the above facts, the writer asks, "Cannot a true analogy be traced between the bills, notes, gold and silver that are required for a small, and, also, for an extensive commerce? and, if the natural law which regulates copper coin, has a similar influence on notes, bills, gold and silver, no man need wonder at the recent wants we have suffered while the laws of the country are adverse to this natural influence."

"These evils are the natural and unavoidable results of a mistaken case on the part of the Legislature. Commerce, whether in goods or money, is by far most competent to regulate itself, and it can only be safe, profitable and prosperous when entirely left to itself."

Mr. Bell says, "that bankers have little control over the circulation, that they cannot make it larger or smaller in the least; it is the requirements of the country that regulates it." And Mr. Macfarlan, in proof that Banks cannot circulate more than the Public require, states that "before 1844, the Banks in Scotland were perfectly free, and allowed to circulate as much paper as they pleased, but they never could get out more than 3,000,000*l.* except in busy times, and the witnesses all agree, that every additional Bank tends to limit the circulation, and even to make it less;" and that may be easily comprehended, when it is stated, that every Joint Stock Bank consists of numerous partners (one of these Banks has 1400 partners) who each make it their business to get as many notes of other Banks as they can to put into their own. There is thus a constant effort making by every partner, to get as many as possible of the competing Bankers' notes out of circulation, and the result is necessarily a decrease rather than an increase of the whole; and it is evident that that kind of restriction operates directly, constantly, and always acts as a better check against over-issue than Legislative enactments.

Mr. Anderson thinks that it was not the currency of the Joint Stock Banks that required to be limited; but that it was the loans that required limitation.

The Act of 1844 allowed of no discretion by the managers of Banks as to the amount of issues, and thus has increased the difficulties of banking; and, although the operation of that Act is chiefly in England, yet, in co-operation with the Act of 1845, he thinks that the distress of the Autumn of 1847 was much aggravated in Scotland by the operation of these two Acts.

The witnesses have all stated to your Committee, that the Act of 1844, which prohibited the formation of more Banks, created a monopoly in favour of the existing Banks, and enabled them to raise the rates of discount and to increase charges on the commercial interests, although it is not clearly made out that the high rate

of interest paid by Railways and some other causes, may not have, at the same time, contributed to these results.

There is some difference of opinion on the subject of new Banks.

One Banker stated that, if the Act of 1844 had not passed, there would have been five or six new Banks of issue established, and that very injurious consequences would have resulted therefrom; but another witness differs from him, and thinks that that might have been safely done, and that the Public would profit by the establishment of more new Banks.

The Bankers who do not object to these Acts, admit that theirs is a somewhat interested opinion; but the merchants, generally, complain of the operation of those Acts as being generally injurious to the Public by the increase of charges on money dealings.

It is distinctly stated that if more new Banks were established, the aggregate circulation of notes would not be increased, but would be divided between the new and the old Banks; the Public would gain by the competition for business, both as to the rates of discount and allowance for deposits, and the established Bankers would be the losers; hence the desire of those Bankers to prevent the establishment of new Banks of issue, and to approve of what the Act of 1844 does for them.

Mr. Bell being asked whether it was right that Bankers should have the discretion of giving such accommodation as they should judge proper, answered, "I think there is a little confusion upon the subject of banking. In Scotland we separate our circulation from our capital. Circulation arises from the requirements of our customers, and our investments depend upon our capital and our resources." He adds, "I draw a distinction between notes in circulation for the convenience of exchange, and advances for the accommodation of the country."

It will be found that a few hundred thousand pounds of currency constitute all the difference between a period of great adversity and a period of great prosperity, so that a banker, whenever he increases his accommodation, whether to *bonâ fide* traders or to speculators, must advance from the deposits in his hands, or from the reserves of capital — he must in reality act by his capital and not by his issues of notes.

It had been alleged at Berwick, that the failures had arisen from a deficiency of currency, but Mr. Bell considered that allegation altogether unfounded, and attributed the distress rather to the tying up of capital in England and Scotland that restricted the accommodation which could otherwise have been given to the public, and the returns will show that there was more capital tied up at that time than in former years.

He further adds that if you will leave capital free, the currency will regulate itself; and he wants no Act of Parliament for that purpose. An Act of Parliament which affects all men alike and lays down a general principle, cannot provide for the peculiarities, and for the particular circumstances, which take place in trade in



different communities, equally with the discretion of the manager of banks.

Whilst, in the opinion of some of the witnesses, restrictions on the accommodations of bankers may be at times wise and useful, it is admitted that restrictions under other circumstances may become the reverse, and might injure the whole commercial community, and therefore the discretion of the bankers ought, in every case of application for discounts and loans, to discriminate, and to act accordingly, whilst an Act of Parliament must operate equally in all cases.

Caution and discretion are essential to good and useful banking; bankers do not want restrictions, by Acts of Parliament like that of 1845, which cannot, by laying down a general principle, by possibility provide for the various individual cases that do arise.

Your Committee agree with the witnesses, who state "that the system which encourages public works and commercial enterprises, and at the same time limits the monetary means of exchange, is contradictory and injurious. The two things are contradictory to each other; that if you contract the amount of money, you must contract what you are to do with it; you cannot do with a small amount what you do with a large; and, consequently, those restrictive Acts must be injurious to the trade of the country as long as they continue."

Your Committee consider that it is clearly made out in evidence that there cannot be either a permanent over-issue of Bank-notes, or any loss to the public from Bank-notes under the system of banking in Scotland; and, therefore, that the legislative interference in 1844 and 1845 was altogether uncalled for.

In respect to the obligation under the new Act to keep a larger quantity of gold, Mr. Bell states, "that the bankers never thought of gold; they held that they converted their notes into gold twice a week by the system established, under which every surplus amount of notes is met by a draft in London."

It appears by the Return before the Committee, that the amount of gold kept by the Scotch bankers, during the years 1842, 1843, and 1844, varied from 324,000*l.* to 411,000*l.*, whilst it had increased in 1846 to 1,284,000*l.*; showing an increase of upwards of 800,000*l.* of gold locked up in their coffers, and that quantity of gold is declared by the witnesses to be a loss of capital to that extent, without adding in the smallest degree to the confidence which the public previously had in their banks.

It is the opinion of this banker that the gold adds no security to the Bank-notes, and would be more useful in London, which is the centre of the world, and where it is wanted, than in Scotland, where it is not of the least use. As the Act of 1845 compelled the banks to keep more gold, it is stated that the merchants and commercial interests have been charged a per-centage on their dealings with the banks, which they never before paid, to make up the loss to the bankers, from their keeping that quantity of gold;

and he therefore wishes the Acts repealed, and that bankers should be left, as before, to keep what amount of gold each may please.

All the witnesses from Scotland agree that the provision of the Act of 1845, which renders it imperative upon the Scotch bankers to retain a certain amount of gold in their coffers, is expensive and useless.

The people of Scotland prefer Bank-notes to gold, and often refuse to take gold, which, not being a current coin, passes in many places as bullion. It is stated that no increase of confidence in the safety of the Banks has been caused by the large addition to the gold in their coffers; that the possession of that gold does not prevent the banks having recourse to their resources in London in the payment of any excess of issues; and that the taking up of so much gold has been a total and useless loss of that amount of capital.

Mr. Anderson thinks that if the amount of reserves were published in Exchequer Bills, that the people of Scotland would be equally satisfied as by the present publication of the amount of gold; and

He states distinctly that he "would repeal the Acts, and leave the bankers in Scotland each to carry on their business in their own way, as parties in other branches of business are allowed to carry on theirs;" and Mr. Bell concurs in that opinion, except where he thinks that all banks of issue should have a paid-up capital, as a basis for their Bank-note issues.

It is further the opinion of some of the witnesses, that if the restrictive Acts had not been passed, the same quantity of gold that answered every purpose of the commerce of the country in 1842 would have answered the same purposes in 1847.

It is satisfactory to your Committee to state, that although a difference exists on some matters of minor importance, all the witnesses concur in the maintenance of the *convertibility* of the Bank notes on demand; but one witness expresses his doubts whether convertibility be secure under the present system.

Your Committee submit some extracts from the proceedings of the Chamber of Commerce in Edinburgh for the past seven or eight years, explanatory of the importance of the subject, and of the interest taken in banking by that body.

That Chamber was incorporated by Royal Charter in 1786, and consists of upwards of 200 of its chief merchants.

Mr. Macfarlan, the Secretary, informed the Committee, that the Chamber consider it their duty to attend to whatever can promote the commerce and manufactures of the country, and that they had, for many years, directed their special attention to the banking in Scotland.

In the year 1841, there was a report that some alteration was to be made in the Banking Laws of Scotland. It was feared that an attempt would be made to suppress the one-pound notes, and the Chamber, which represented the general opinion of the Scotch

merchants, deprecated the change of a system that worked so well; and they published their opinion in Resolutions unanimously agreed to by the Directors.

A copy of these Resolutions, dated 21st of April, 1841, was laid before your Committee, and will best explain the opinion of the people of Scotland on that important subject, and their decided opinion against any interference with their banking system.

- “ 1st. That the system of banking presently established in Scotland is well suited to the circumstances of the country, fosters industry, promotes commercial undertakings, and, at the same time, supports the agricultural and manufacturing interests in a state of healthy and vigorous action.
- “ 2d. That this system, which has now been established for upwards of a century, and has had its safety as well as its utility tested in the most severe and scrutinising manner, has been found to minister to the wants and necessities of the country in the most satisfactory way, neither on the one hand encouraging improvident speculation, nor on the other restricting the development of the national resources; and has thus been directly instrumental in advancing the prosperity of Scotland, and enriching its inhabitants.
- “ 3d. That all these advantages have been secured for this country without injury to the nation at large, or the introduction of any schemes calculated to interfere with, or in any degree counteract the views and wishes of the Legislature in its monetary arrangements; while the weekly exchanges which take place between the respective banks, effectually prevent an over-issue on the part of any one of their number, such over-issue being immediately returned upon them, and the amount paid down on the spot, in Bank of England notes, Exchequer bills, or gold.
- “ 4th. That to interfere with this system, so long and so firmly established, and the advantages of which have been so important and so manifold, would be in the highest degree impolitic, hazarding, as it would, the welfare of Scotland for some speculative improvement, subjecting all its interests—agricultural, commercial, and manufacturing—to an experiment in legislation, which, however well intended, could scarcely fail of being followed by consequences the most disastrous, throwing into confusion, as it necessarily must do, all the existing arrangements of the country.
- “ 5th. That the Directors cannot but view with the most serious alarm any proposal to interfere with, or disturb, in any way whatever, this system, which has met with such universal approbation, and against which no disinterested party can point out any existing evil either to the country or to the Government; and they would therefore deprecate in the strongest manner any such interference, either on the part of the Parliament or of the Government.



“6th. That Petitions, founded on these Resolutions, be presented to both Houses of Parliament.”

The question of banking afterwards occupied the attention of the merchants of Edinburgh at different times. In 1844, when the Charter of the Bank of England was under discussion, they carefully watched the proceedings in Parliament, and in January 1845 the Chamber, in their annual Report, deprecated strongly any interference with the system of banking in Scotland, and conclude in the following words: “It is to be hoped that the decided opposition so universally shown to any such attempt (as an interference with the banking system), will induce the Premier to pause in his design, and to propose no measure which does not command the hearty and cordial concurrence of the people of Scotland.” It further appears, that a deputation of the Chamber of Commerce had waited upon Mr. Macaulay in Edinburgh, “to call his attention specially to the subject, and point out the great benefits which its system of banking had confirmed in Scotland, and the necessity of maintaining its efficiency unimpaired.” Notwithstanding these and other efforts by the people of Scotland generally against interference, the Bill of 1845 was passed.

In 1847, “when matters were looking gloomy,” the Chamber of Commerce of Edinburgh presented, on the 12th of October, a Memorial, with Resolutions, to Her Majesty’s Ministers, praying for a suspension of the Acts of 1844–5, with the view to their repeal. The annual report of the Chamber on the 17th of January 1848 states, that “The changes (in banking) introduced by Sir Robert Peel had been uniformly regarded by the Chamber as injudicious, uncalled-for, and positively injurious to the country, and had, therefore, been as uniformly opposed. All opposition, however, was vain.” And whilst your Committee refer to that Memorial, as fully pointing out the opinion of the Chamber of the injury to the trade of the country by these Acts, they consider the 3d, 5th, and 6th Resolutions so pertinent, that they are here transcribed :

“3d. That in the opinion of this Chamber, no satisfactory reason has ever been adduced to show, that the banker or money-merchant should be more severely checked and hampered in his transactions, than the merchant whose dealings are only in money’s worth ; or that the free and unfettered action of the one, is not as indispensable to the healthy state of an increasing commerce as the other.

“5th. That in so far as the existing monetary laws neutralises the excellence of the banking system of Scotland, this Chamber has always viewed them as directly subversive of the best interests of the country. Free competition in banking, a numerous proprietary, unlimited responsibility, and a paper currency convertible into silver or gold on demand, has been by long experience matured into a system better suited to the wants and trade of the country, safer in itself, more economical

and convenient, more implicitly relied on by an entire people, than any system ever devised by any State for the service of its subjects; a system which no State can give, and which no State ought to be allowed to mutilate or take away.

“6th. That in the opinion of this Chamber, no effectual remedy for the evils existing in the monetary affairs of this country can be pointed out, short of the repeal of the various Acts to which these evils can be clearly traced.”

The opinion of the Chamber of Commerce therefore is, that banking should be left as freely to the discretion of the managers, as all other business in the country; and the witness adds, “it was so in Scotland until this Act, and the result was beneficial to the whole country.”

All the four witnesses concur in opinion, that the primary cause of the distress was the same in Scotland as in England—the potato famine in 1846, and the large importations of corn paid for in gold; that there was an increased export trade to China and other places in 1845 and 1846, but the returns of produce were sold at considerable loss. In the beginning of 1847, considerable transactions in six and twelve months bills, the failure of the corn-merchants, and a demand of money for railways and other purposes, all contributed to cause the commercial difficulties in the autumn of that year.

The approach of the commercial difficulties was indicated by the rate of interest on deposits and loans. Before the year 1844, the usual allowance by the banks to depositors was two per cent., and the charge by the banks for discounts was four per cent. In 1846, the allowance for deposits was three to three and a half per cent., the rate of discount was raised to five per cent. and over; and above that interest, a commission was charged on all cash transactions that had never been before charged. The interest on deposits after May 1847 increased to four per cent., and the rate of discount rose to from six to six and a half per cent.; and towards the autumn of 1847, the discount was raised to seven and eight per cent.; and during all the pressure there was little difficulty in obtaining money on good security at that rate; but ever since that time there has been an increased value of money, so that public bodies, which used to borrow at four, are obliged to pay five and a half per cent.

A strong impression existed in Scotland, that the Bank of England would not be able to pay its notes in gold, and that a national bankruptcy must follow. Mr. Macfarlan attributes that great panic to the Act of 1844, and states his confident belief that such alarm would not have taken place in England, Scotland, or Ireland, if that Act had not passed. Mr. Anderson states, that the commercial pressure was greater in 1847 than at any former period in his recollection; and he also considered that the increased distress

had been chiefly caused by the operation of the Acts of 1844 and 1845.

It is quite substantiated that the issue of the letter of the Government to the Bank of England on the 25th October, 1847, immediately dispelled that apprehension and alarm, and gave relief to the money market. It was also added, that if the Act had not been suspended, he had great fear of the Bank of England, which would have caused "entire confusion."

Your Committee consider it of importance to ascertain whether the recent distress was actually *commercial*, or caused by *deficiency of circulation*; and, according to the evidence before them, the distress seems to have been altogether *commercial*, and not monetary. Complaints were made of the scarcity of money, but the difficulty was to obtain credit and good security; there was, in fact, an increased circulation during the greatest pressure, and, it is distinctly stated, that discounts could always be obtained on good security, though at higher rates of interest; the alarm in Scotland was more for the safety of the Bank of England than for the banks in Scotland. It is only necessary to refer to the Returns laid before your Committee to see that the average amount of notes in circulation in Scotland in the month of February in each of the years 1842, 1843, and 1844, was 2,651,217*l.*; and in the month of November, 3,783,904*l.*

The circulation increased in the month of February 1845 to 2,982,867*l.*, and in November to 3,784,118*l.*; that in February 1846 it was 3,097,930*l.*, and in November, 4,046,526*l.*; whilst in 1847, the year of the greatest commercial difficulties, the circulation in the month of February was 3,533,346*l.*, and in November 3,783,904*l.*, showing a large increase in the circulation of bank-notes during the heaviest pressure beyond the circulation of 1843 and 1844. The actual excess in the month of November 1846 was 784,316*l.*, or about 25 per cent.; and of 522,694*l.*, or 18 per cent. in 1847, more than the average circulation in the same month in the years 1842, 1843, and 1844.

At the time, therefore, when the increased transactions of the country called for an increased capital, it appears that, by the operation of the Bill of 1844, the Banks were obliged to lock up part of their capital in gold to a considerable amount, which undoubtedly lessened their means of discount, and prevented their granting loans or discounts to their customers.

Your Committee desire also to observe that the average amount of gold coin and bullion held by the banks in Scotland in the month of November of the three years, 1842, 1843, and 1844 was 372,653*l.*; that in the same month in the year 1846 the amount was 1,284,261*l.*, and in November 1847 the amount was 1,100,258*l.*, showing an excess of gold to the amount of 911,608*l.* locked up in the banks in 1846, and an excess in 1847 of 727,605*l.* of gold, beyond the average amount of the three years before the operation of the Acts of 1844 and 1845.



Some of the witnesses have stated to your Committee that the Acts of 1844 and 1845 are not founded on sound principles, as they impose a limit to the circulation, whilst there is no limit to transactions in trade, and Mr. Salmond, the Manager of the City of Glasgow Bank in Glasgow, stated that "he saw no hope that the trade and manufactures in Glasgow would be restored until the Acts of 1844 and 1845 should be modified; he, also, attributed the continuance of the panic which exists in Glasgow, and the unwillingness of merchants to come under new engagements, to the fear of being brought under the operation of the Act of 1844."

It is also stated, as the deliberate opinion of the Chamber of Commerce, as well as of other witnesses, that the restrictive parts of the Acts of 1844 and 1845 should be repealed, and your Committee entirely concur in that opinion.

Your Committee examined three witnesses from Ireland, Mr. McDonald, Governor of the Bank of Ireland; Mr. Murray, Manager of the Provincial Bank; and Mr. Bristow, of the Ulster Bank in Belfast.

In Ireland, the system of banking is nearly the same as that of Scotland, giving cash credits and receiving deposits; charging 6 per cent. as the maximum on discounts to merchants, and allowing 3 and  $3\frac{1}{2}$  per cent. on deposits; but interest is not allowed in daily operations as in Scotland; ten days' notice is required for all deposits on which any interest is allowed.

The exchange of notes takes place between the Banks in Ireland as in Scotland, but the periods of exchange vary. In Belfast there is a daily exchange, regulating the whole circulation; in Ulster the exchanges with the branch Banks are not so frequent, but they are made according to the extent of trade in the several towns, some twice and some thrice in the week: Exchequer bills are employed for that purpose as in Scotland, and by this means the same sufficient check is kept in Ireland against over-issues and against losses by Bank-notes as in Scotland, and therefore no Act of Parliament seems to be requisite to interfere with Banks of issue in either country.

Mr. James Bristow states, that the Act of 1845 affects the Irish Banks in a manner in which it does not affect the Scotch Banks; the notes of Scotch Banks are all payable at the head office in Edinburgh or Glasgow; the notes are circulated by the branch Banks, but are payable in gold only at the head office. By an express law the Irish Banks are obliged to provide for their notes at every branch where they are issued; the Banks are consequently obliged to keep a supply of coin at each branch Bank equal to the demands that are likely to be made on them; and yet, by the law of 1845, the Banks are only permitted to issue notes beyond their average amount upon gold and silver at the four offices, which are called *head* offices, for the purpose of that Act; all the gold held at the other offices, where they are by law obliged to pay their notes, is not permitted to be counted in regard to the *over-issue* of

notes; that appears to be an injustice, and applies equally to all the Banks in Ireland.

In Ireland there appears to have been little *commercial* distress, compared with what was experienced in England and Scotland.

There was no pressure in the money market until the end of 1847, and that very light.

The failure of the potato crop caused some apprehensions, but the trade was good all 1846; discounts were from  $4\frac{1}{2}$  to 5 per cent. until December of that year.

In the spring of 1847 the rate of interest was raised to 6 per cent., and to  $6\frac{1}{2}$  and 7 per cent. between May and October 1847, when it was raised in self-defence to 8 per cent., in consequence of the letter of the Chancellor of the Exchequer of the 25th October to the Bank of England fixing that rate of interest; the rate of interest would not have been raised in Ireland but for that letter.

There was no want of circulation, although in December 1844 the circulation had been 7,839,530*l.*, and in May 1848 only 4,840,672*l.*; but during the whole year 1847, the banks had a large amount of unemployed notes, and there was no difficulty at any time in discounting good bills.

The failure of the corn merchants in July 1847 had little effect, and advances to railroads scarcely any.

The issues of notes might, at any time, have been increased more than 700,000*l.* on the gold in the banks, if there had been any need.

Mr. M'Donald recollected the panic of 1825, which was much more severe than that of 1847.

Mr. Murray does not think that the Act of 1844 aggravated the difficulties, or caused an additional amount of 50,000*l.* of gold to be kept; and he states that there was no panic in Ireland in 1847; the large expenditure of the Government in that country prevented it.

The Acts of 1844 and 1845, in the opinion of both witnesses, had little effect on the commercial affairs or circulation in Ireland.

Mr. M'Donald thinks that the Act of 1844 may have given more stability to the Banks; the Act of 1845 prevented the establishment of any new Banks, but from the fresh recollection of the failure of the Agricultural Bank, there was little probability of any new Bank being established if the Act had not passed.

Mr. Bristow states that there was no over-trading in 1846; they did not feel any commercial difficulty until April 1847, and then they only felt the effect of the difficulty in London. The Act of 1844 was, however, in his opinion, the cause of serious aggravation as soon as the reserve of the Bank of England got small; that the Act of 1845 has done no injury in Ireland, as the circulation has been sufficient for all the business of the country, which has been of late much depressed.

There was no panic at any time in Belfast.

Mr. Bristow says that they were perfectly satisfied with the Banking Laws before 1844, and wanted no change; he advises the entire repeal of the Act of 1844. "I think," says Mr. Bristow, "putting an absolute limit, which is perfectly inflexible, is a very objectionable thing for the trade of the country; and, as far as my observation goes, the Bill has produced considerable injury."

Mr. Murray considers that there is a necessity for a power of relaxing the Act of 1844, and that the Chancellor of the Exchequer should be empowered by law to do so when necessary; in his opinion, there would not have been a sovereign left in the Bank of England if the relaxation had not been made in October 1847. He further recommends that the Act of 1845 should be amended.

Mr. Bristow states, that there never is a gold circulation in Ulster, and in Belfast there is a small demand for gold at the time emigrants are leaving the country.

Your Committee submit these as the opinions of the Irish witnesses; and the House will be able, after seeing the evidence, to judge whether two Acts requiring such amendments, and even a temporary suspension, ought to be continued.

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## APPENDIX F.

### LETTER FROM MR. SALT TO SIR ROBERT PEEL.

*To the Right Hon. Sir R. Peel, Bart., M.P.*

SIR, — I have hesitated to address you on the subject of your speech on Mr. Herries's motion, considering it too great a penalty on a member of Parliament that a speech in the House should subject him to a correspondent out of it; but I have this day received so many applications, by letter and otherwise, not to let your observations on my evidence pass unnoticed, that I am compelled to think the case warrants the intrusion.

Allow me, Sir, in the first place to thank you for your strictures on Mr. Richard Spooner. If he did allow himself to be brow-beaten on the Secret Committee into a denial of the currency doctrines I maintained, and whose truth he will not dispute, or if he thought it expedient not then and there manfully to stand by them against all odds, it was a moral weakness deserving your reproof; but I think I may venture to answer for him, that if he did commit this error, he will amply redeem it on the very first occasion the question shall be discussed in the House of Commons, and it appears it will be discussed again, though settled for ever in 1819, and again finally settled in 1844.

Allow me, Sir, to draw your attention to the strange signi-



ficance of this perpetual resurrection, which comes like the imperishable evidence of ill-deeds done. It is in vain that all inquiry has been pertinaciously refused, all discussion repressed by every unfair influence, all dissent from the Bill of 1819 treated as folly or fraud. Burking, browbeating, mystification, have been vain, the question ever reappears in more formidable shapes, and more irresistibly demands attention; and now, by a singular fatality, yourself, the author of the Bill and head of the opposition to its re-discussion, make a quotation from my evidence before the Secret Committee more calculated than any other to challenge public attention.

I reproduce your quotation:—

“Sir Robert Peel asked—Will you state whether I correctly understood you as saying that that national paper should be issued *ad libitum* till the period when prices were remunerative, and every industrious able-bodied man found full-employment?—Certainly.

“When that object was achieved, you would fix your standard at that point?—Yes.

“Till you had achieved that object, till prices were remunerative, and all able-bodied industrious men had employment, we should have an unlimited issue of paper?—Yes; the only reason I say that is, that under the present system we have so far departed from what is right in the basis. We have had such extraordinary fluctuations that we cannot now tell where we are. It is necessary to take an observation, but the great principle is that the labourer should have his wages, the manufacturer his profit, and that the creditor should have his due—that the labourer should have his value for his labour as well as the wealthy man, the creditor the value of his money.

“Do I correctly state your views when I state that you would propose that national paper should be issued without limit, or without any reference to any metallic standard of value, until the period shall have arrived when the prices generally should give to every able-bodied industrious man full employment?—You correctly understand me.”

It does not, Sir, appear clearly in the report of your speech what was your object in making this quotation from my evidence; but, from the general tenour of your observations, and from the “laughter” and “much laughter” in the House, I infer that you meant to impress your hearers with the belief that the scheme was wild and visionary. If these were your objects and views, they were in direct opposition to fifty years of facts.

During the whole of the war a sufficient issue of inconvertible paper money did, as you well know, maintain remunerative prices and full employment for labour.

With this great fact in evidence before you, where was your warrant to treat my evidence so lightly? But let us see what follows:—

Under the paper system the country was powerful, prosperous, contented, and loyal. The prosperity of the country was proved by its power of paying taxation. The preparation for your Bill began in 1816; in 1819 it was finally passed. The whole scene was changed. An unparalleled depression of prices filled the country with ruin and insolvency, and the labourers were at once thrown out of employment. The peasantry firing the ricks; the Luddites breaking the machinery; the blanketeers and colliers marching to London; the Cato-street plot; the Peterloo massacre; misery, insolvency, disorder, and discontent, everywhere gave fearful evidence of the agony that was convulsing society, and threatening its entire dissolution.

Was all this suffering, so unparalleled in its extent and severity, the effect of your Act? Was it indeed this Act that did convert the wealthiest and most industrious nation on earth into a mass of disaffected and desperate insolvents and paupers? The ruin followed the Act; the suspension of the Act was the remedy sought.

In 1822 Lord Castlereagh brought in five Bills, all tending to the suspension of the operations of the Act of 1819. An unequalled prosperity followed. If the evil was not in the Bill, how came it so closely to follow its enactment? Why was its suspension the only remedy ever sought? Wherefore was its suspension followed by such a burst of prosperity? The issue of paper money did restore remunerative prices and the full employment of labour, the contentment of the people, and their attachment to the institutions of the country. The renewed operations of the Bill was marked by a renewal of the national calamities and discontent.

It is further in evidence that in every subsequent period of distress, the only remedy resorted to by each successive government was still a relaxation of the Bill, even down to the Chancellor of the Exchequer's letter of October, 1847, and the relief obtained has always been in proportion to the degree of relaxation. The *experimentum crucis* has been repeated during thirty years, always with like results.

When the vast calamities attendant on that gigantic error are considered, the persevering attempts to conceal their source from public indignation are explained. Hence the counting out of the House, the pretended scorn of the Birmingham opinions, the ridicule heaped on them, the charge of fraud brought against them. All these things become clearly explained, and excite no surprise; but I do wonder at the audacity that would continue to maintain a system so fatal. An error so persevered in becomes a crime. It is a crime, if persevered in, the laws may recognise.

I proceed now, Sir, to examine, briefly, the special effects of the Bill in the year 1847.

The potato crop failed, and an importation of food became necessary; the food was imported at a cost not exceeding half per cent. on the national wealth. It might have been paid for in goods or in gold, and the limit of the loss would have been the amount

paid, a sum too insignificant, compared to the national resources, to have been perceptible, and the national industry could have replaced it in a few weeks.

But the Bill of 1819 had made gold the basis of our whole system; and, therefore, when the gold was exported to pay for the food, the whole system was broken up; and the Bill provides that this calamity shall in every case be added to that of a bad harvest; that the abstraction of an infinitesimal part of our money shall destroy our whole monetary system; that the purchase of a small quantity of food shall cause an immense quantity of starvation, by destroying the means of distributing the food, and employing labour. If this were the only evil of the Bill, its existence ought not to be tolerated an hour.

Instead of placing the national credit and solvency on the broad and indestructible basis of the national industry and wealth, you have placed all the great national interest on gold, the narrowest and most shifting, and therefore the most unfit, basis it was possible to choose. You could not have done worse.

The gold being in quantity perfectly unequal to effect the exchanges needful for the existence of society, an immense and disproportioned superstructure of paper money and credit became a compulsory result, and a certain cause of perpetually recurring ruin.

In framing the Bill of 1819 you do not appear to have had a suspicion of this consequence; but in 1844, after an interval of a quarter of a century, this much seems to have dawned obscurely in your mind; but, alas! what was your remedy—enlarging and securing the too narrow and shifting basis? Not at all; you crippled and limited the superstructure. You left us subject to the whole of your original error, and provided a new one!

The Bill of 1844 provides that in proportion as the gold money shall disappear, the paper money shall disappear also! Out of the money thus doubly reduced, the unhappy people are compelled to pay unreduced taxes, and out of the inadequate remnant to discharge unreduced debts, and to provide for the unreduced necessities of their respective stations. So the leaven of the law works its way through all society. The payments cannot be made out of these reduced means, the loss of the credit follows the loss of the money, the means of exchange, employment, and consumption are destroyed, and the world looks with amazement on the consummation of your work—the wealthiest nation in the world, withering up under the blight of a universal insolvency, an abundance of all things beyond compute, and a misery and want beyond relief.

It is true that through all this the price of gold has been maintained at 3*l.* 17*s.* 10½*d.* per ounce, in round numbers call it 4*l.* the ounce—that is to say, four sovereigns weigh an ounce, and therefore gold must always be four sovereigns an ounce. Do you still deny that the price is fixed?

But though you fixed the price which is the index of value, you



did not only not fix the value, but by restoring and maintaining the monopoly of gold as the only ultimate means of discharging debt, you raised its value indefinitely. But the price was fixed, and therefore the change in value was not ascertainable by the generality of mankind.

This, then, is the whole amount of the benefit of the Bills of 1819 and 1844—that the debtor may be called upon to pay double the value of his debt without knowing he is so defrauded. Your assumed physicianship amounts to this—you administer the poison, but gild the pill; the patient dies, but the doctor thrives; your promise is life, your gift is death.

You have fixed the price and raised the value of gold, but you have broken down the value of everything else. Look on the wreck, what interest is there in this vast empire that is not injured? Pass them in review, from the ruined merchant to the workhouse pauper. Have you, Sir, no visions in your sleep?

The Bill did promise gold payments, but did keep that promise in strange fashion—not by sufficient supplies of gold, but by limitation of paper money; the amount of gold was not raised to the needful level of paper, but paper was cut down to the arbitrary or accidental level of gold. This limitation of the quantity of money raised its value, and broke down the value of property everywhere below the cost of its production. This is the source of the ruin which presses on the East Indies, on the West Indies, on every part of the empire. You know that free issues of paper would restore prosperity and employment as it did in 1824 and 1825, secure equal justice to the debtor and creditor, and yet you think the subject of no graver import than to serve as a matter of merriment to the ignorant bulk of your hearers.

You are reported, Sir, in all the papers to have said (but it is not credible you should have done so) that the possession of 15,000,000*l.* of gold will secure the convertibility into gold of 48,000,000*l.* of paper. (You seem to have forgotten Exchequer bills and saving-banks). This wonderful Bill does not then give us an arithmetical security, but leaves us dependent for its sole boon on some secret and wizard potency. But 48,000,000*l.* is not the limit of our debts; these are thousands of millions: will 15,000,000*l.* insure their convertibility into gold, will it provide for the sale of all property, and all the needful exchanges our existence requires?

But we are not even sure of these 15,000,000*l.* Supposing 5,000,000*l.*, or 10,000,000*l.*, or 15,000,000*l.* of gold to be exported for food, why in that case we are not sure of the Bill. It exists then only to hamper us when not needed, and when needed to force convertibility it is to be suspended, so that all our sufferings are borne to maintain an unsubstantial shadow that does not realise its own slender promise.

But, again, on your own showing, under what view do you, the supporter of the Bill, foreshadow the suspension of the Bill? As a

calamity? No, as a relief! You are reported to sum up the 48,000,000*l.* of paper money the Bill allows with the explanation. "Is this restriction?" But you make no calculation of the mass of transactions to be performed. What strange political tailoring to swear to the sufficient size of the garment without any reference whatever to the body it is to cover!

You are reported, Sir, also to have said on another occasion that you believed the Gemini letters must be written by more than one individual, as you felt sure no one person could be found capable of writing so much nonsense; but for the proof, Sir, which your Bills of 1819 and 1844 supply of what may be done by one individual, I should be compelled to believe that your speeches on the currency must be the work of many reporters. It is difficult to believe one person to be possessed of such a fertility of error.

The sole aim of your Bill has been to convert paper money into gold. I have shown how signally you have failed in this one object, always excepting your special claim of converting 48,000,000*l.* of paper money into 15,000,000*l.* of gold, for which mutation I suspect few will thank you. In all other respects the whimsicality of your fate has been to establish a universal inconvertibility. Labour cannot be converted into wages, East India estates, West India estates, railway shares, sugar, rice, cotton goods, &c.; in short, all things are inconvertible except at the cost of utter ruin. There has been nothing like it since the days of Midas.

In opposition to this universal inconvertibility our Birmingham doctrine is, that money, which is the medium of exchange, should be maintained in such perfect equilibrium with labour and property, that it shall always be easy to convert property and labour into money at fair and remunerative rates; that through the wise regulation of this powerful agent, labour shall be fully employed in creating wealth, and that money, which is the organ of distribution, shall keep demand in harmony with production, ministering on the one hand to the wealth and power of the country, and on the other to the happiness of its people.

I have spoken freely, Sir; it is my habit, but I assure you that if a single word personally disrespectful has crept into this letter, it is wholly unintentional on my part. I have wished in all respects to have, as I have felt, the deference due to your rank and station, but I have wished to speak the truth and to state facts. The facts, Sir, are of your creation, not of mine. I cannot alter or disguise them. You have had confided to your administration, by our illustrious Sovereign, this most powerful State, of almost unlimited extent and fertility—a people unrivalled in their knowledge, caution, skill, and energy, possessed of unlimited means of creating wealth, and out of all these elements of human happiness your measures have produced a chaos of ruin, misery, and discontent. You can scarcely place your finger on the map and mark a spot in this vast empire where all the elements of prosperity do not exist abundantly, you cannot point out one where you have

not produced results of ruin. Every resource is paralysed, every interest deranged; the very empire is threatened with dissolution. The Canadas, the West Indies, and Ireland, are threatening secession, and England has to be garrisoned against its people as against a hostile force; the very loyalty of English hearts is beginning to turn into disaffection. Review once more these vast resources and these wretched results, and I trust you will not make the most fatal opinion of your life the only one to which you will persist in adhering.

I am, Sir, very respectfully,  
 Your humble and obedient Servant,  
 T. CLUTTON SALT.



THE END.

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